

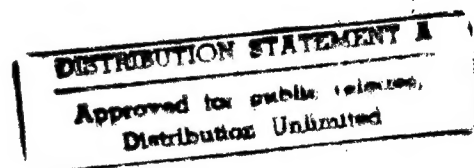
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2 October 1985

# China Report

ECONOMIC AFFAIRS



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2 October 1985

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2 October 1985

PROVINCIAL AFFAIRS

SHAANXI ISSUES CIRCULAR ON BANNING SPECULATION

HK120837 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 11 Sep 85

[Excerpts] Recently, the provincial government issued a circular urging the people's governments at various levels to resolutely ban activities of on-the-spot speculation.

The circular pointed out: Recently, some people have speculated in goods on the spot to seek big profits in the province's markets. In order to ban such illegal activity and ensure smooth progress in the economic structural reform, various localities must seriously implement the regulation that the wholesale business of important means of production and consumer goods which are in short supply can only be handled by state-run commercial and materials supply departments, the supply and marketing cooperatives, and the producers of these goods. No other units or individuals are allowed to engage in the wholesale business of these goods. Those who have engaged in the business should immediately stop doing so. Moreover, the authorities should supervise the selling of these goods at retail prices stipulated by the state.

In connection with the present campaign of investigating and handling economic crimes, the industrial and commercial administrative bureaus, the commodity price departments, [words indistinct], banks, auditing departments, and other departments in various localities must resolutely hit at and seriously deal with such economic crimes as speculating in certificates of goods planned supply, foreign exchange, trademarks, gold, silver, cultural relics, and so on, and activities of producing and selling fake medicine, harmful food and drinks, speculation, and swindling.

CSO: 4006/949

PROVINCIAL AFFAIRS

XINHUA REPORT ON IMPORTANCE OF WESTERN CHINA

OW101550 Beijing XINHUA in English 1511 GMT 10 Aug 85

["Background Information: China's Strategic West"--XINHUA headline]

[Text] Lanzhou, 10 Aug (XINHUA)--Western China comprises 11 provinces and autonomous regions, namely Shaanxi, Gansu, Qinghai, Sichuan, Yunnan, Quizhou, Ningxia, Xinjiang, Inner Mongolia, Tibet and Quangxi.

The region covers 6.15 million sq km, accounting for 64.06 percent of the country's total area. Its population is over 290 million, making up 28.5 percent of the country's total.

The region borders on the Soviet Union, Pakistan, India, Nepal, Bhutan, Burma, Thailand and Vietnam.

Western China is home to 48 of the country's 55 minority nationalities. A total of 110 million people belonging to these nationalities live there.

The region has many plateaus, deserts, hills and basins. The Qinghai-Tibet plateau, Yunnan-Quizhou plateau, Loess plateau, Tengger desert, Taklimakan desert and Qaidam and Junggar basins are all located in the west.

The region has vast cultivable land. If all of it were brought into production, Xinjiang alone would have 13 million hectares of farmland, as much as 10 percent of the country's total.

The prospects for livestock farming are also bright.

Western China is affluent in resources. Its estimated coal reserves are 60 percent of the country's total. Xinjiang alone has 16 billion tons of coal reserves and it probably has more coal than China's main coal producer, Shanxi Province.

The hydroelectric resources of the Hanjiang River, the Bailongjiang River, and the upper and middle reaches of the Yellow River in the region are estimated at 51 million kw.



Xinjiang is one of China's main petroleum-producing areas, and the Qaidam and Junggar basins both have bright prospects for oil production.

Western China is also rich in resources of iron, salt, asbestos, aluminum, zinc, nickel and gold. Tibet and Xinjiang lead the country in ferrochrome reserves. Jinchuan in Gansu Province has one of the three largest para-genetic ore deposits in China, containing mainly nickel but with 21 other nonferrous metals.

The Chinese Government provided the western region with 223.4 billion yuan from 1953 to 1983 for capital construction. The total value of the fixed assets of the region's state-owned industrial enterprises is now 120 billion yuan.

The region has 489 large enterprises in the energy, metallurgical, machine-building, electronics, petrochemical, aviation and astronautics fields.

However, western China is still rather backward, and to a great extent relies on the financial support of the central government. Apart from natural, historical, economic and social factors, the backwardness is largely due to the fact that, instead of helping the region improve its own ability to develop, the large amount of money, material and manpower provided by the central government has made the region dependent on the government.

China's leaders Hu Yaobang and Zhao Ziyang have paid great attention to the development of western China. They pointed out that the region will be a major base for the country's development in the next century.

They noted that, though the present emphasis of the country's development is on eastern China, the western region should not wait until the next century to begin its large-scale development.

They said, the western region should now begin to accumulate funds, work out development plans, prospect for resources, train technical and administrative personnel, develop its agriculture and animal husbandry, plant grass and trees and cooperate with other parts of the country.

CSO: 4020/349

PROVINCIAL AFFAIRS

BRIEFS

URUMQI ECONOMIC, TECHNICAL SYMPOSIUM--Urumqi, 21 Aug (XINHUA)--Xinjiang proposes nearly 100 projects at its first symposium on foreign economic and technical cooperation and trade now in session here. The projects cover light, textile, nonferrous metallurgical, machinery, chemical and tourism industries, expected to help the 1.66 million square kilometer-region in China's far northwest develop its natural resources. More than 220 business executives from Hong Kong, Macao and a dozen foreign countries are attending the 15-day symposium which opened yesterday. Before its opening, a 40 million U.S. dollar-contract for a joint staple cotton textile venture was signed between the Xinjiang Textile Industrial Co and a U.S. firm. Xinjiang Uygur Autonomous Region has over the past five years used 100 million U.S. dollars of foreign funds and established economic and trade ties with Hong Kong, Macao and over 50 countries, according to the opening speech of Ismail Amat, chairman of the regional government. [Text] [Beijing XINHUA in English 0246 GMT 21 Aug 85 OW]

CSO: 4020/349

## ECONOMIC DEVELOPMENT ZONES

### GUANGXI BEIHAI CITY BOOSTS INFRASTRUCTURE

OW220914 Beijing XINHUA in English 0649 GMT 22 Aug 85

[Text] Nanning, 22 Aug (XINHUA)--An airport servicing Boeing 737s, a deep-water wharf accommodating 10,000-ton ships and a microwave communications system are some of the infrastructure facilities under construction in Beihai, one of China's 14 open coastal cities.

A small town on the South Sea coast of the Guangxi Zhuang Autonomous Region in south China, Beihai is out to catch up with the other seaports designated for opening wider to overseas investment, a city official says.

Since it was designated an open city in April 1984, Beihai has signed contracts for 32 projects of cooperation with overseas business people, 17 of which are now under construction.

These developments have made it imperative for the city to expand its infrastructure even more rapidly, the city official says.

The new airport, he says, will link Beihai with Nanning, the regional capital, and further on with Guangzhou, Beijing, Shanghai and other major cities upon completion by the end of this year. Several international services will also be opened.

When completed next year, the deepwater wharf will have two 10,000-ton berths, large warehouses and other auxiliary facilities to help increase trade with 132 ports in 67 countries and regions.

Completion of the microwave communications system in June next year will link Beihai via Nanning with various cities on the mainland and Hong Kong and Macao by telephone, telegraph and rapidfax.

Also under construction is a two-square-kilometer city district specially for Sino-foreign joint ventures, cooperative enterprises and foreign firms. Now being built there are two high-quality hotels, one of which is 19-story high, and electronics and food-processing mills. The city official says that Beihai plans to expand economic and technical cooperation with overseas interests in refining petroleum, mining ilmenite, breeding and processing aquatic products, and growing subtropical fruit.

CSO: 4020/353

ECONOMIC DEVELOPMENT ZONES

DEVELOPMENT OF NANTONG CITY, JIANGSU, DESCRIBED

OW071032 Beijing XINHUA in English 0912 GMT 7 Sep 85

[Text] Nanjing, 7 Sep (XINHUA)--Nantong, one of the 14 coastal cities open to foreign investment reports 27.9 percent industrial production growth for the first seven months of 1985.

The total output value of industry came to 4.88 billion yuan in the first seven months of this year, said Zhang Youcai, mayor of the city. This is 27.9 percent higher than the same period last year.

The total output value of this city's textile industry in the first half of this year was 40 percent more than the same period last year.

The textile output accounts for one-third of the industrial total of the city.

Located at the mouth of the Yangtze river, Nantong with a population of 7.4 million, is one of the leading export production centers of China.

The city has acquired equipment from Japan, Britain and Federal Germany to improve its textile industry, the mayor said.

The city is building a synthetic chemical fibre plant with a capacity of producing 8,000 tons of polyester fibre, and the construction is underway of a knitting plant with a capacity of 1,000 tons of filament products annually.

Meanwhile, 32 joint ventures, cooperative firms, compensation trade and lease business, utilizing 47.2 million U.S. dollars have gone into operation or are being built, the mayor said.

The purchase of export goods was 783 million yuan last year, 8.46 percent higher than 1983's figure.

The city has set up three deepwater berths to accommodate ships of 10,000 to 25,000 tons and ten transfer berths to accommodate ships of 3,000 to 5,000 tons.

Handling capacity of Nantong port reached more than seven million tons in the first half of this year.

Microwave circuits between Shanghai and Nantong have opened service.

The city has also built hotels, restaurants and tourist facilities, said the mayor.

CSO: 4020/353

ECONOMIC MANAGEMENT

JINGJI RIBAO ON ROLE OF MONETARY POLICY

HK061446 Beijing JINGJI RIBAO in Chinese 27 Aug 85 p 3

[Article by Liu Hongru: "The Role of China's Current Monetary Policy in Regulating the Macroeconomy"]

[Text] The circulation of money is a matter having an important bearing on the overall situation. How to apply the monetary policy as a means to strengthen macroeconomic regulation and control is an important topic in the economic work at present. Here below I want to present some of my opinions on the current monetary policy.

The Status Quo of Money Circulation and the Measures Adopted

The present economic situation in our country is good, the national economy continues to develop steadily and harmoniously, the vast majority of commodities are in ample supply, and the urban and rural markets are brisk.

Last year witnessed a considerable growth in the gross industrial and agricultural output value, a growth in the volume of retail sales of commodities which exceeded the quota laid down in the original plan, and a tremendous increase in the volume of procurement of agricultural products. As the reform of the economic structure has further developed and the economy has been further invigorated, the amount of money in circulation in the market has also increased. For example, as town and township enterprises and individual households in urban and rural areas have been developing rapidly and their scale of business has been expanded, they now have to keep more cash in hand; there are more and more contracting and specialized households in rural areas, more enterprises have been established in urban areas, and commercial accounting units have become smaller and smaller, all these developments call for an increase in the amount of money in circulation and affect the speed of currency circulation. Thus it can be seen that the increase in money in circulation last year was largely due to the needs of economic development. However, this increase was partly unreasonable. In the main, this abnormal increase has emerged since the fourth quarter of last year. As the economy has kept on developing at a high speed, the scale of investment in fixed assets has been expanded and consumption funds have been increasing too rapidly. This circumstance is reflected in the financial field mainly as the slow withdrawal of currency from circulation, too drastic an expansion

of the scale of capital construction, of investment in town and township enterprises, and of consumption funds and the overexpansion of credits which has gone beyond the limit that the banks can afford. The excessive circulation of currency is a comprehensive reflection of the excessive distribution of national income and of the fact that the total social demand exceeds the total social supply. This is due to the excessive amount of extended credits and excessive foreign exchange expenditure. It is necessary to pay attention to this phenomenon which is disadvantageous to our country's economic development and the current reform.

We must particularly be aware that an excessively high economic growth rate will inevitably lead to an increase in the demand for raw materials and consumer goods. We cannot possibly maintain a high economic growth rate for a long time by the means of drawing on stocks and the foreign exchange surplus. To cope with all these problems, we must first of all continue to strengthen macroeconomic control and administration. We cannot relax control but must maintain strict control. At the same time, we must try our best to do a meticulous job, make a concrete analysis of specific issues, and give the departments concerned a hand in solving problems. It is necessary to deal with different cases in different ways in the light of specific conditions in different areas and different trades and make every effort to avoid unnecessary repercussions and losses. Of course, the ultimate solution to these problems is reform. In order to ensure that the reform shall be carried out smoothly, however, it is necessary to make necessary readjustments, reducing the overexpanded scale of investment in fixed assets, consumption funds expenditures, credit funds, and foreign exchange consumption. In the course of reform, we must invigorate whatever needs to be invigorated and keep under control whatever needs to be kept under control. By and large, we are still failing to keep up with the situation as far as macroeconomic control is concerned.

To solve the above-mentioned problems, the country has taken a series of measures since December last year. We have managed to change the tendency of drastic increase in loans and have begun to check the practice of arbitrarily drawing on stocks of foreign exchange in the first half of this year. The measures that we have taken are as follows:

First, the scale of investment in fixed assets has been kept under control. As a starting point, those capital construction and technological transformation projects which were not covered by the state budget have been sorted out and their scales have been minimized. As for the projects covered by the state plan, necessary readjustments must be made to ensure the supply of funds and raw materials. Loans for investments in fixed assets allocated by banks to various localities cannot exceed the set quotas. The scale of capital construction projects in all localities to be financed by loans must be kept within the limits indicated in the approved loan granting plans concerned and no bank is allowed to grant additional loans, to appropriate part of its deposits to invest in capital construction under any pretext, or to transfer bank deposits to other financial institutions with the aim of expanding the scale of or increasing loans for capital construction investments. No unit is allowed to use loans designated as circulating funds to

initiate capital construction projects. Government departments at all levels are not allowed to make use of any pretext to set up unauthorized financial institutions to grab funds. If any department is found engaging in such practices, all the deposits or loans designated as circulating funds that have been drawn must be recalled immediately, and those people who are involved in the case must be held responsible. Also, the State Council has decided to raise the interest rate on loans for fixed asset investment projects and to make use of interest rates as an economic lever to bring the scale of capital construction under control.

Second, credit has been kept under control. While controlling loans for fixed asset investments, we must exert strict control over the granting of loans to town and township enterprises, encouraging them to carry out readjustments. While ensuring the completion of a number of projects, we must suspend some others and restrain ourselves from starting new projects for the time being. It is definitely necessary to maintain agricultural and sideline product procurement funds. These funds must be handled as special funds and must not be appropriated otherwise. Some ongoing projects run by town and township enterprises and collective industrial enterprises in urban areas which can really meet the urgent needs of society and will score good economic results are going to be completed if they can secure a little more financial support. In order to wind up these projects, we plan to extend a special loan in the form of bonds issued by banks with relatively high interest rates. Banks must conscientiously perform their duties, taking a resolute attitude to exercising control over the amount of credits and the circulation of money. On the other hand, our governments at all levels must respect the decisionmaking power of banks and support them in their work.

Third, the use of the state's foreign exchange has been kept under control. On the one hand, we must make greater efforts to open up more sources of foreign exchange earnings and to draw in more foreign exchange; on the other hand, we must keep imports under control, properly use foreign exchange, and take strict measures to avoid duplicate imports of assembly lines and sets of equipment. The State Council has already set a limit on the use of foreign exchange and has adopted a series of policies and measures.

Fourth, consumption funds have been kept under control with the aim of speeding up the process of converting consumption funds into production and construction funds. Banks have supervised payment of salaries according to the salary payments plan laid down by departments in charge. At the same time, banks were required to absorb more savings deposits by expanding the savings network, establishment of more bank agencies, and appropriately raising the interest rates on savings deposits, and making every effort to convert consumption funds into production and construction funds.

Fifth, control of commodity prices has been strengthened. Now that there are numerous factors affecting commodity prices, we must pay great attention to and conscientiously deal with them. To prevent an excessive rise in the prices of fresh and live sideline products, state commercial enterprises must participate in market regulation and commodity price control, playing the



role of a main channel. It is particularly necessary to prevent the prices of industrial products from rising. Those products covered by the state's mandatory plan must be marketed at the prices fixed by the state. As for those products covered by the state guiding plan, it is necessary to prevent their prices from deviating too far from the prices fixed by the state. We must not treat the price issue lightly.

Sixth, appropriate support has been given to industrial production. The fulfillment of mandatory plans must first be guaranteed. Great efforts must be made to promote production of those popular products which are in short supply in the market. In regard to energy, transportation, and credit, priority must be given to guaranteeing the needs of those backbone enterprises credited with good quality, low consumption, and high efficiency and of those name brand products, top-quality products, and products earning foreign exchange. Banks must adopt discriminating policies. They must examine and approve applications for credit in the light of their financial resources and the projects' economic results, pursuing the policy of fixing the amount of credit according to the marketability of products, the technology involved in production, and the quality and economic results of products. It is necessary to avoid the malpractices of nominal revenues debited to the account of financial departments, nominal profits retained by enterprises, and exclusive loans extended by banks.

#### It Is Necessary To Attach Importance to the Role of Monetary Policy in Macroeconomic Regulation

Monetary policy plays an essential role in macroscopic regulation and control of economic development. Monetary policy together with financial policy are the major measures for macroeconomic regulation.

In the 30-odd years since the founding of the PRC, however, we have never considered monetary policy as an important matter in the whole structure of macroeconomic regulation. We did not regularly use monetary means to regulate the economy except when the national economy was out of balance.

There has been a radical change in the economic situation since 1979 and unprecedented importance has been attached to the position and role of monetary policy. This is because of the following reasons:

First, management methods for the commodity economy has replaced the management methods for the product economy, and the commodity market, technology market, labor service market, and money market have emerged in economic life. Thus the practice of using the means of currency, funds, and value to intervene in, organize, and regulate the economic life has become a major form of economic regulation.

Second, while the coverage of mandatory plans has been reduced, the coverage of guiding plans and market regulation has been expanded. In keeping with this development, the price structure has been rationalized daily and the restrictions on pricing have been gradually lifted. So, economic activities as a whole will inevitably have to rely on regulation by economic means. In

the changing process of the ownership structure in particular, the forms of collective and individual ownership and various management forms within the ownership by the whole people have been developing rapidly. Therefore, it is more important than ever to make use of the means of value to bring the activities of all these management forms into the orbit of macroeconomic regulation.

Third, in the course of distribution of the national income, the portions dedicated to the enterprise and the individual have been increased and the portion set aside for centralized financial distribution has been reduced. With regard to the fund control system, the proportion of the funds to be allocated by banks has exceeded the proportion set aside for centralized financial distribution. Consequently, any minor change on the part of the banks in the circulation of currency, the amount of credits, the makeup of loans, and so on will affect the national economy as a whole.

Fourth, the financial structure has undergone a reform in regard of fund control, organizational structure, the form of credits, and so on; and the communications channels between different economic mechanisms within the financial system and banking system have been dredged. Particularly, a single central bank has been set up for the first time since the founding of the PRC. This central bank is now undertaking the duty of macroeconomic control and regulation and is implementing the monetary policy and regulating the macroscopic economy through such channels as financial activities and the activities of banks.

An important special characteristic of macroeconomic management in the new situation of planned development of the commodity economy is the need of regular regulation by the means of monetary policy. The regular regulation of the economy has long been overlooked because the material-type economic management system, the mandatory-type planning system, and the centralized-type fund management system have subdued fluctuations and changes that are absolutely normal in economic operations. Such being the case, these fluctuations and changes will only show themselves in eye-catching forms when plans fail to be fulfilled. In consequence, we have been preoccupied with an illusion that economic activities are always developing peacefully, harmoniously, and in a planned way. Those who view economic life in this perspective may always bear in mind the importance of implementing of plans but overlook the necessity of regular regulation. In fact, under the conditions of the commodity economy, economic life is everchanging and, above all, the extent of such constant changes is far beyond what a planner can predict. In order to maintain steady economic development, we must be well informed of new trends in economic development at all times, unremittingly work out regular readjustment measures, make prompt readjustments as soon as a new situation emerges, and avoid adopting any radical readjustment measures after serious problems emerge in the economic life, thus preventing any intense shock arising therefrom. Take the specific case of the regulatory role of banks as an example, our monetary policy is by no means immutable but must be revised all the time in the light of different economic situations in different periods so as to lay down the guidelines, contents, measures, and methods of regulation. The regular regulatory

function of monetary policy is shown in the flexible coordination and alternate use of tight and easy money supply. Drastic changes in money supply are avoided at the cost of minor changes in money supply, and enormous fluctuations are avoided at the cost of minor fluctuations.

There are two possible outcomes of the regulatory role of banks, namely, the positive effect by which banks play an active role in expediting the benign cycle of the national economy; or, alternatively, the negative effect. After the money market is invigorated, problems may possibly emerge and a vicious cycle may take shape if the national economy is not regulated properly. All banks rushed to grant loans last year. It seemed that they would play a positive role in the national economy as long as they supported production. In fact they were holding a one-sided viewpoint. By properly playing their regulatory role, banks can expedite the benign cycle of the national economy. Macroscopically, the economic situation can be brought under control through regulation by banks; microscopically, regulation by banks can promote the regular readjustment of the economic structure and can provide positive guidance for production mix, enterprise makeup, technological structure, and consumption structure. It is necessary to divert our limited funds to those projects which need less investment but give high output and good economic results so as to ensure a steady and harmonious development of the national economy. However, this is by no means easy.

#### The Special Characteristics of Our Country's Current Monetary Policy

Since the founding of the PRC, we have always adhered to the guideline of stabilizing currency, which is a major matter which decides whether the national economy will develop steadily, harmoniously, and in proportion and which has an important bearing on the livelihood of all the people and the political stability of the whole country.

The PRC has witnessed three serious inflations since its founding. In view of the different conditions, different policies and regulatory measures were adopted to cope with the three inflations respectively. The first inflation, occurring in the initial postwar period, was a galloping inflation left over by the KMT reactionary rule. Despite the circumstances that military spending was rather high and the economy had not yet recovered, we managed to check inflation mainly by adopting the policy of centralized and unified financial work at that time. Commodity prices were stabilized very soon as the state brought material supplies, financial revenues and expenditures, as well as cash revenues and expenditures under centralized control and took action against speculation and profiteering. The second inflation occurred after the "Great Leap Forward" in 1958. The state suffered from an economic dislocation and a serious inflation at that time. Under the circumstances that production was shrinking and was unlikely to recover from recession very soon, we managed to withdraw money from circulation mainly by keeping down consumption (moving urban residents to rural areas, selling commodities at high prices, and so on) while reducing the scale of capital construction and readjusting production. The third inflation occurred in 1980. While the economic dislocation and inflation left over by the "Great Cultural

Revolution" remained unsolved, the scale of equipment import projects and capital construction was overexpanded. In addition, a tremendous amount of money was spent to improve the people's livelihood which had long been kept unreasonably low. As a result, there were an enormous financial deficit and too much money in circulation, which led to a galloping inflation. At that time, after the 3d Plenary Session of the 11th CPC Central Committee adopted a series of correct principles and policies, the broad masses' initiative was brought into full play, industrial and agricultural production developed rapidly, and the people's consumption level was raised higher and higher. Such being the case, we could no longer deal with inflation simply by tightening money supply and keeping down consumption. Therefore, our banks, while maintaining an overall balance, appropriated part of their funds to support agriculture and the production of daily consumer goods, trying to ensure an ampler supply of goods to the market and make commodity circulation suit to currency circulation. These measures scored quick results.

What are the special characteristics of the current monetary policy?

First, the current monetary policy differs from the three major readjustments in the past in that it involves regular structural readjustments. In the conditions of the commodity economy, the economic and financial situation always changes rapidly and new circumstances and new problems keep on emerging. Therefore, it is necessary to take prompt measures, tighten up or loosen money supply in accordance with specific conditions, and readjust the economic structure by economic means. If we can pay attention to the symptoms of instability in the course of economic development and deal with them as soon as they emerge, we will be able to avoid heavy losses due to drastic changes and readjustments. This is a generally acknowledged experience in the Western world. Now that we are practicing a planned commodity economy and especially as we are carrying out an economic reform, there will be greater changes in economic life and we will be faced with a greater number of new circumstances and problems. We must keep abreast of these changes and should not mistake new problems emerging in economic development for serious problems. At the same time, we must pay great attention to economic instability and various symptoms which are likely to result in serious inflation, devote our attention to dealing with them, make timely readjustments, and solve all the problems, so as to ensure that the national economy shall develop steadily and harmoniously. The present economic situation is good, but the existing problems are by no means negligible. If we fail to carry out regular regulation, we may be forced to carry out large-scale readjustments. Regular regulation is not a makeshift but a long-term task on the condition of the planned commodity economy. The faster the economy is developing, the better job we need to do in carrying out regular structural readjustment.

Second, the present situation is unlike the case of the 3-year difficult period when measures were taken to cut overall expenditure and to keep down demand. It is also different from the situation in 1980 when efforts were concentrated on promoting agriculture and production of industrial products for daily use to increase commodity supply and withdraw excessive money in circulation. While integrating the strengthening of macroeconomic control

with the enlivening of urban and rural economy, we must adopt policies and measures in accordance with the actual situation. It is necessary to change the situation in which macroeconomic administration gets out of control. It is also necessary to bring the growth in credits and currency in circulation under control and to suit the scale of investment in fixed assets and the production growth rate to our financial and material resources. The current policy of cutting expenditures demands implementation of plans on the original scale and at the original speed rather than a cutting down of the original plans. Therefore, economic shrinkage is just out of the question. Only in this way can the urban and rural economy be really enlivened and prosperity be maintained for a long time. Otherwise, if every enterprise rushes to double its output value regardless of restrictions due to objective conditions and the shortage of energy and raw materials, the natural consequence will be economic dislocation and alternate rises in the prices of the means of production and means of subsistence. As a result, no enterprise will survive. Of course, we cannot "demand uniformity" in strengthening macroeconomic control. Our way out is to properly carry out structural regulation on the premise that macroeconomic control is strengthened, in other words, to fulfill set economic goals with limited resources on the premise that the amount of credits and currency in circulation is kept under control, and to press on with the regulation of the economic structure through the regulation of the funds makeup. Only by enlivening the financial work can we invigorate the economy. It is necessary to differentiate the uses of funds--we must reduce loans for investments in fixed assets and limit the production of those products with poor economic results, high consumption, and small sales volume, but encourage the production of those products which can score good economic results and are marketable in both the domestic and international markets.

Third, now that the amount of foreign exchange revenues and expenditures is enormous, it is necessary to keep both renminbi and foreign exchange under control and take parallel measures in this regard. Since the balance between revenues and expenditures in foreign trade has now become an important goal of our country's monetary policy, the viewpoint that separates renminbi from foreign exchange no longer conforms to the actual situation at all. At present, we must on the one hand keep expenditures under control and make sure that the state is retaining a certain amount of foreign exchange in preparation for payment for imported items; on the other hand, we must properly allocate funds in renminbi and avoid expanding the scale of credits beyond the fixed ceiling. The emphasis must be placed on supporting export projects and enterprises that are likely to earn foreign exchange and on carrying out readjustment among those enterprises which consume raw materials imported at the expense of foreign exchange.

CSO: 4006/948

ECONOMIC MANAGEMENT

GUANGXI HOLDS MEETING ON FINANCE, TAXATION WORK

HK111435 Nanning Guangxi Regional Service in Mandarin 1130 GMT 11 Sep 85

[Excerpts] According to GUANGXI RIBAO, in the future, the region's finance and taxation work must be carried out under the leadership of the regional CPC committee and people's government. In doing the work we must continue to support production and economic reform, firmly grasp financial income, properly arrange disbursement, strictly control administration fees and the purchasing power of social organizations, strengthen financial supervision, enforce financial discipline, and balance revenue and expenditure or have slight surpluses.

This was a demand raised at the regional conference on finance and taxation work.

Yesterday afternoon, at the regional conference on finance and taxation work, Wang Rongzhen, deputy chairman of the regional people's government, delivered a summation speech.

Wei Chunshu, deputy secretary of the regional CPC committee and chairman of the regional people's government, delivered a speech at the conference.

In his speech Comrade Wei Chunshu first demanded that all areas earnestly carry out financial and taxation inspection and consolidate the achievements made in reform of the economic system.

Comrade Wei Chunshu pointed out that in order to change Guangxi's backwardness, it is necessary to earnestly implement the instruction put forth by the Secretariat of the CPC Central Committee that the regional CPC committee should teach cadres at all levels to carry forward the spirit of self-reliance and lay stress on tapping internal potential, and must not merely rely on the CPC Central Committee. We must carry forward the spirit of building up the country, running enterprises, and developing all causes through thrift and hard work, bring into full play our international potential, and solve financial difficulties by developing production, increasing income, and reducing costs. Meanwhile, we must proceed from reality, give full play to our strong points and avoid our weak ones, and bring into play our superiorities.

Comrade Wei Chunshu also demanded that party committees and governments at all levels strengthen their leadership over finance and taxation work, bring into full play the supervisory role of finance and taxation work as an economic lever, and learn to properly handle financial problems.

Attending yesterday's conference were Wu Keqing, vice chairman of the regional people's government; (Liang Chengye), adviser to the regional people's government; (Shi Qingsheng), special adviser to the regional people's government; and (Wei Jinhuan), secretary general of the regional people's government.

CSO: 4006/949

ECONOMIC MANAGEMENT

JOURNAL ON IMPORTING ELECTRICAL, MECHANICAL EQUIPMENT

HK061501 Beijing JINGJI GUANLI in Chinese No 7, 5 Jul 85 pp 25-27

[Article by Ge Hui [2047 8748]: "Correctly Handle the Relationship Between Importing Electrical and Mechanical Equipment and Protecting the Domestic Machine-Building Industry"]

[Text] For many years, two different views have existed concerning the importation of electrical and mechanical equipment: One holds that since our machine-building industry has already built a fairly strong material and technological foundation, the electrical and mechanical equipment required by the various departments of the national economy should be developed and manufactured domestically. Another point of view holds that in light of the low technological level of domestically manufactured electrical and mechanical equipment, in order to improve the modernization level of the national economy, we must rely on importing the equipment from abroad. Viewed from specific aspects of the situation, each of these views has its own merits, but viewed from the situation as a whole, they are both more or less one-sided. In order to correctly handle the relationship between importing electrical and mechanical equipment and protecting the domestic machine-building industry, it is necessary that we consider the interests of the state as a whole, measure the pros and cons, and earnestly analyze and study the topic.

Appropriately Restricting the Importation of Electrical and Mechanical Equipment and Protecting the Domestic Machine-Building Industry

Since our country is a developing country, appropriately restricting importation bears important significance for protecting the development of our national industries. In determining the policies and measures governing laws and regulations on restricting imports in general, the restriction of the importation of electrical and mechanical equipment should be an important point. The reasons are:

1. Our machine-building industry lags behind the international advanced level. It requires a relatively stable environment for development.

After 35 years of construction, our machine-building industry has developed into an industrial department which turns out a fairly complete variety of



products, has a relatively rational geographical distribution, and possesses a material and technological foundation of a fairly wide scope. Among the various departments of our national economy, 85 percent of their technological equipment is supplied by the domestic machine-building industry. However, compared with the developed countries, the technological level of our machine-building industry still lags behind to a rather large extent. Under such circumstances, naturally the departments using this equipment demand that it be imported from abroad. But if this is not subject to necessary and appropriate restrictions and if measures to protect the development of the domestic machine-building industry are lacking, then large quantities of foreign equipment will naturally enter the domestic market by different channels and in different forms, dealing blows to the domestic machine-building industry. This will make it difficult for the domestic machine-building industry to fully utilize its production capacity, possibly causing it to wither, and ultimately widening the gap between it and its counterparts in the industrially developed countries, a gap which in fact has been currently closing.

The so-called relatively stable development environment implies: 1) By means of import restrictions, the domestic machine-building industry should be provided with an opportunity to steel itself and to create certain conditions for development and improvement; and 2) the domestic machine-building industry should face a certain pressure and time limit, so that it can become capable of providing the national economy with technologically advanced machines and equipment.

2. Our country is one which is still relatively economically backward. The technological equipment required for modernization must be provided principally on the basis of self-reliance and regeneration.

A balanced state of foreign exchange is an important constituent part of a balanced national economy. Exports are the prerequisite for imports. It is necessary to determine the scale of imports on the basis of the condition of our country's foreign exchange earnings. The limited foreign exchange earnings must first be used to import the urgently needed materials such as mineral products, key steel products, chemical raw materials, timber, and so forth. For the sake of transforming the backward situation in our technology and rebuilding the existing industrial foundation, it is still necessary to import technology. But the importation scale of electrical and mechanical equipment must be subjected to certain limitations. Ignoring the national capability and blindly and greatly increasing the scale of imports will only cause a proportionate imbalance in the national economy. According to incomplete statistics, from 1977 to 1980, our country's importation of electrical and mechanical equipment amounted to over \$12 billion, of which importation of whole sets of equipment amounted to over \$4.5 billion. Since this exceeded the limit that could be borne by the country's financial strength, national economic construction was put in a passive state. It is worthwhile to learn from the experiences of history. Therefore, speaking from the angle of economic strength and equilibrium in foreign exchange, the technological equipment required for the modernization of the national economy must mainly depend on supply from the domestic machine-building industry.

Furthermore, it should be pointed out that viewed from the short term, importation of electrical and mechanical equipment can raise the technological level of our country, but viewed from the long term, because of physical and other types of wear and tear, these types of imported equipment are always in a relatively backward state. In order to transform this backward state, it is further necessary to import more advanced equipment of the same type. This recurring process is obviously greatly disadvantageous. Only by nurturing our own machine-building industry and building up our own independent and advanced machine-building industry system is it possible to place our modernization program on a really reliable material and technological basis.

3. The key to increasing our foreign exchange earnings lies in developing the exports of electrical machinery products.

Electrical machinery products have the special characteristics of a large number of processing stages, large supplementary value, and a concentration of technology and knowledge, resulting in a high rate of foreign exchange earnings. In their foreign trade, the world's industrially developed countries and some developing countries all take the export of electrical machinery products as the strategic target for the development of export trade. In the past 30 years, the volume of the world's export trade in electrical machinery products has increased very rapidly. Of the gross volume of the world's export trade, the ratio of the export volume of electrical machinery products was as follows: 20 percent in the 1950's, 25 percent in the 1960's, and 33.33 percent in the 1970's. Japan's export volume of electrical machinery goods occupied over 60 percent of the gross export volume of the whole country. In the United States and the Federal Republic of Germany, it was also over 40 percent. According to statistics, in our country, the export volume of electrical machinery products occupied only around 10 percent of the gross export volume. One of the important reasons for this is that the quality, variety, and technological level of our country's electrical machinery products all lag behind those of the industrially developed countries and lack competitive power. In order to rectify this situation and to increase the export of electrical machinery products, it is necessary to quickly improve the technological level of our domestic machine-building industry and to develop the machine-building industry. From this it can be seen that from a strategic standpoint, to increase foreign exchange earnings and import even more materials and equipment needed by the national economy, there must be a strong and technologically advanced machine-building industry. Hence, it is necessary to adopt suitable protective measures so as to quickly elevate the technological level of the domestic machine-building industry.

Importing Key Electrical and Mechanical Equipment To Protect the Development of the Domestic Machine-Building Industry

In the above we discussed the significance of restricting imports in the modernization program of the national economy and protecting the development of the domestic machine-building industry. However, this does not refute the contention that the development of international commodity exchange and

the importation of key electrical and mechanical equipment play an important role in realizing the modernization program of the national economy and promoting the development of the domestic machine-building industry.

1. Importation of key electrical and mechanical equipment is needed in production and construction.

The technological level of our machine-building industry lags behind the world's industrially developed countries. Of the varieties of our electrical machinery products, the great majority are still at the world levels of the 1950's and 1960's. Only a minority reach the world level of the 1970's. To date, many of the larger whole sets of equipment which have a modernized level and are urgently required by the various departments of the national economy are still lacking. The country is still unable to produce certain high-precision, high-efficiency lathes and precision tools and instruments. Under such circumstances, if the international conditions are not used and no importation is made of the key and urgently needed electrical and mechanical equipment, the state's production and construction will be adversely affected. An example is the machine-building industry itself: At present, an important problem in the quality and functions of the machine-building products is the low technical level, poor reliability, and short life-span of the basic spare parts and articles such as hydraulic pressure tools, pneumatic articles, hermetically sealed articles, electric elements, key tightening articles, and so forth. Rectifying such a situation naturally requires organizing the scientists and research workers of the whole nation to attack the problem, but this will require a considerable process and length of time. In order to meet the state's urgent needs in production and construction, it is necessary, by means of international commodity exchange, to import a portion of the key basic spare parts and articles so as to raise the technological functions and quality of whole sets of machines among the electrical machinery products.

2. Importation of key electrical and mechanical equipment can achieve a savings in domestic social labor.

Among the products exchanged on international markets, the domestic value of the products is determined by the necessary social labor time expended on these commodities in their respective countries. Their value on the international market is determined by the "necessary social labor" expended on these commodities based on an international standard. Due to differences in the concrete conditions of different countries, they all have their own strong and weak points. Thus, the domestic value of certain commodities is higher than their international value and, conversely, the domestic value of certain other commodities is lower than their international value. According to this reasoning, importing electrical and mechanical equipment which we can produce only at a high cost, but for which the domestic value is higher than the international value, can reduce the consumption of social labor in our country and facilitates the accumulation of funds for the modernization program.

3. Importation of key electrical and mechanical equipment facilitates the raising of the technological level of the machine-building industry.

Although importing electrical and mechanical equipment does not directly introduce manufacturing techniques, through the indirect learning of lessons, it is still possible to raise the technological level of the machine-building industry. In the course of using imported electrical and mechanical equipment, it is also possible to provide useful technological materials for the domestic production of similar kinds of electrical and mechanical equipment. This will enable the improvement and revision of the structure and technological parameter of the domestically produced electrical and mechanical equipment. At present, people are paying ever-increasing attention to the methods of technology trade combination and cooperative production in importing electrical and mechanical equipment. This is, when importing equipment, while starting from actual needs, the motivation is to introduce the manufacturing techniques which ordinarily are difficult to obtain. By so doing, a direct role is played in elevating the technological level of our machine-building industry.

#### Several Points of View

From the foregoing analysis of the two sides, it can be seen that appropriately restricting imports can protect the development of the domestic machine-building industry, while appropriately importing key electrical and mechanical equipment can promote the development of the domestic machine-building industry. These are two roads which complement each other in promoting the technological progress of the machine-building industry. If only we handle the work properly, the problem of the protective work lagging behind due to improper protection will not increase and there will be no problem of the domestic machine-building industry suffering setbacks on account of importing blindly from abroad. In the following, I will give my views on how to handle the relationship between the two sides:

1. Internally, the machine-building industry does not have a balanced development. Certain products have an advanced technological level, are strong in competitive power, and can compete well on the advanced world level. In the case of electrical machinery products, we should first actively develop their potential on the international market and strive to expand exportation of them to compete on the world market. At the same time, we should also consider opening the domestic markets and permit foreign products to enter the domestic markets so that our country's production enterprises may take part in the competition both domestically and abroad. It is true that at present only a small number of our electrical machinery products possess strong competitive power and can compete on the advanced world level, but it can be anticipated that with the technical progress made by our machine-building industry, this category of products will increase.

2. As for those domestic electrical and mechanical equipment known to have some disparity from the advanced level abroad, the state should first set a protective period for them and set a time limit for them to catch up with the

international advanced level. During the protective period, the production enterprises should, by means of introducing technology, technological transformation, and management reform and readjustment, strive to bring their products to or approaching the advanced world level, thus setting the stage for them to compete with foreign plants and merchants. After the lapse of the protective period, foreign commodities may be allowed to enter the domestic markets. By so doing, two sets of conditions will appear: On the one hand, during the protective period, the production enterprises will have strengthened their technology and the quality of their management, and their products will have come to possess the power to compete with foreign products. This category of enterprises will achieve continuous development in the course of competition. On the other hand, during the protective period, certain enterprises will not have shown much improvement in their technology and in the quality of management. The quality and functions of their products will still have a considerable disparity from the international level. Enterprises in this category will fail in competition and will have to close their doors. What is most important is to carry out thoroughgoing investigation and research work with due regard to the actual situation, to make a detailed economic and technological analysis, and to set a rational protective period.

3. We should insist on the principle of demonstrating strong points but avoiding weak points. We should analyze our superior conditions and our inferior conditions by means of business accounting and technological comparison. In order to meet the needs of the national economy, we should import those electrical machinery products for which we do not have the necessary superior conditions to produce or from which we can derive more benefits by their importation. The key to this problem lies in considering the integration of the microeconomic and the macroeconomic benefits, but we must be on the alert against one-sidedness.

4. In the case of key electrical and mechanical equipment which the national economy sorely needs at the moment, although they can be produced domestically, due to their output quantity and functions not exactly meeting current needs, they should be allowed to be imported. In importing such equipment, it is necessary to implement the principle of integrating technology and trade and to use the imported equipment as a lead to introducing the manufacturing technology, so as to ultimately raise the technological capability of the domestic enterprises in the production of key electrical and mechanical equipment.

CSO: 4006/949

ECONOMIC MANAGEMENT

BRIEFS

INCREASE IN TRADEMARK REGISTRATIONS--Beijing, 23 Aug (XINHUA)--China has registered 117,000 trademarks, nearly 60 percent more than in 1982 when the country's first trademark law was promulgated, according to the state administration for industry and commerce. Hao Zhixin, director of the trademark office under the administration, attributed the increase to the rapid development of China's commodity economy. "Many Chinese enterprises treasure the trademarks as their own life," he said. Expansion of international trade led to the registration of more foreign trademarks in China. By the end of July, 1985, the number of effective foreign trademarks in China reached 18,115 and the number of countries and regions involved increased to 38 from 16 in 1978, including Bermuda, Portugal and the Cayman Islands. Japan leads the foreign countries with 4,937 effective trademarks, followed by the United States with 4,550 trademarks and Britain 1,961 trademarks. [Text] [Beijing XINHUA in English 1044 GMT 23 Aug 85 OW]

CSO: 4020/349

FINANCE AND BANKING

MAGAZINE NOTES PRICE REFORM BOOSTING RURAL ECONOMY

OW161616 Beijing XINHUA in English 1526 GMT 16 Aug 85

[Text] Beijing, August 16 (XINHUA)--The ongoing price reform has done a great deal to boost production of market-oriented goods in China's rural areas, according to the latest issue of FORTNIGHTLY TALK magazine.

The compulsory state purchase of grain, cotton, meat and other major farm products from peasants was replaced by a (?tract) system early this year, and this has greatly stimulated the initiative of the peasants, the magazine pointed out.

The total number of pigs in stock in the first three months of this year totaled 51,650,000 head, 3.15 percent more than in the same period last year.

Many peasants have shifted from farm work to specializing in producing commodities to meet the market needs. About 200,000 motor vehicles have been purchased by individuals.

In Qinghai Province, more than 1,000 households of minority nationalities have specialized in industry, commerce and transport, more than 2,000 individual peddlers from inland provinces have helped local herders in northern Tibet in production of market-oriented goods; and on the vast grasslands of the inner Mongolia autonomous region, there are more than 500 peasant market towns, including 50 large ones each with a population of over 10,000.

Supportive industry has been established around the rural markets. Included are agrotechnical service companies in 82 percent of the townships in Hebei Province and various groups specializing in such commodities as tea, forestry and domestic industry in many parts of China.

FORTNIGHTLY TALK said that the rural production structure is being oriented to suit the development of commodity production.

According to statistics, although land for foodgrain dropped by 3.3 million hectares, China's total cropland area has increased by 1,133,000 hectares this year compared to last year as more land was devoted to cash crops. As a result, the summer grain harvest was lower than last year's record, although it exceeded the 1983 figure. The output of rape seed, however, was up 30 percent over last year.

Jilin, one of China's major grain producers, has been paying attention to the development of animal husbandry. It increased its poultry production by 71 percent in the first three months of this year over the same period of last year, and its pig population increased by 32 percent, and cattle, by 21 percent.

China has more than one million new economic cooperatives in rural areas linking agriculture with commerce and industry. These cooperatives, derived from specialized households, involve the voluntary participation of six million peasant households.

The current economic reform has strengthened the link between urban and rural areas. Many urban industrial enterprises have distributed their equipment and techniques to the rural areas to help them streamline production and make full use of the surplus labor and space of the countryside.

A number of rural garment factories in the Pearl River Delta in Guangdong Province have signed contracts with clothes shops in Shanghai. The shops provide patterns and market information, and the factories produce clothes according to demand.

About 40 percent of the rural industrial enterprises in Jiangsu Province have become supportive industries around the large state-run industries.

Chongqing, largest industrial center in southwest China, Wuhan, capital of Hubei Province, and Shenyang, capital of Liaoning Province, have set up trade centers to sell industrial goods, farm and sideline products, and grains and edible oil. These centers are run jointly by rural and urban organizations.

Many cities have set up scientific and technical service centers to organize scientists and technicians in various fields to help upgrade rural industrial enterprises.

Beijing has 22 scientific and technical advisory groups to help peasants upgrade their crops as well as manage rural industrial enterprises. These groups comprise more than 8,000 scientists and technicians.

CSO: 4020/357



## FINANCE AND BANKING

### PRICE REFORM SUCCESSFUL IN ANHUI PROVINCE

OW180355 Beijing XINHUA in English 0237 GMT 18 Aug 85

[Text] Hefei, August 18 (XINHUA)--Price reform in the past six months has won the support of both producers and consumers in Anhui Province, said Governor Wang Yuzhao here today.

Early this year, the governor declared at a provincial conference that the compulsory state purchase of farm and sideline products, the established policy for decades, would no longer be practiced. The government would gradually relax price controls and the peasants could produce and sell their products according to the market demands.

The new policy first of all benefitted Anhui's 40 million peasants, who were then free to readjust the production structure.

They reduced the acreage given over to foodgrains by over 330,000 hectares while devoting more land to such cash crops as rapeseed, jute, tobacco, peppermint and watermelon.

In the meantime, animal raising and aquatic production saw a big increase during the period. As compared with the same period of last year, the production of rabbits increased 35 percent; poultry, 13.3 percent; and aquatic products, 33 percent.

About four million pigs were sold to the state according to the market price, instead of at prices fixed by the government as practiced before. This brought an increase of 300 million yuan in income for the peasants. Now, the number of pigs in stock shows an 11 percent increase over the same 1984 period.

Peasants in the province's mountainous areas which have abundant timber have also benefitted by the new policy. As they have stepped up the planting of trees and sales of timber products, the shortage of timber in the province has been remarkably eased and prices have fallen.

The provincial government has taken several measures to protect the interests of the consumers, Governor Wang said.

The government sold 100,000 tons of foodgrains to 11 mountainous counties at a price lower than the market price.

Every resident in cities and towns is given a subsidy from the government to make up for the price increases of meat and other farm products. The subsidy for college students is higher than for other urban residents.

The state-run commercial departments have been playing a major role in market regulation by purchasing, processing and storing pork, chicken meat and eggs when the supply exceeds demand.

According to the latest statistics, the market supplies of eggs have increased by 25 percent.

In Hefei, the capital of the province, queues for fresh meat and vegetables are a thing of the past, as more and more peasants bring in their products for sale on the market.

CSO: 4020/357

FINANCE AND BANKING

RENMIN RIBAO COMMENTATOR'S ARTICLE ON AUDITING WORK

HK120801 Beijing RENMIN RIBAO in Chinese 5 Sep 85 p 2

[Commentator's article: "An Important Basis for Doing Auditing Work Well"]

[Text] Attaching great importance to and strengthening auditing work is an important guarantee for the smooth progress of economic reform. The provisional regulations concerning auditing work which were promulgated recently by the State Council are an important basis for doing auditing work well.

The aim of instituting reforms is to remove obstacles fettering the development of the productive forces and to establish an economic structure capable of suiting the needs of and promoting the development of the productive forces of society. We have broken with a considerable number of outmoded rules and regulations fettering the development of the productive forces in a planned way, thus reducing the use of administrative measures and direct control. Meanwhile, we must use more economic measures and establish an indirect control system so as to strengthen management and supervision. This is a problem which calls for urgent solution in our economic work. Destruction and construction are the dialectical unity of opposites. In the course of reform, it will not do to put one-sided stress on destruction to the neglect of construction, nor will it do to separate destruction from construction. While conducting reforms, we must strengthen management and supervision, integrate microeconomic revitalization with macroeconomic control, bring into play the enthusiasm of all sides concerned, establish a dynamic economic structure, and speed up the development of the socialist economy.

Auditing work falls into the category of indirect control. Over the last 2 years, marked achievements have been made in our auditing work, though it was started not long ago. It has played a positive role in strengthening financial discipline, correcting the new unhealthy tendencies, raising economic results, and boosting financial revenues. The facts have proved that it is extremely necessary to strengthen supervision over auditing matters.

At present, auditing work must be combined closely with economic reform and must serve the latter. The auditing of financial revenues and expenditures

can play a role in upholding financial and economic discipline, attaining better economic results, and tightening macroeconomic control and management, accelerating the solution to the new problems arising in the course of reform, and ensuring economic reform progresses smoothly. It is necessary to carry out auditing work selectively and to do a good job mainly in auditing and supervising the financial revenues and expenditures of state financial and banking institutions, enterprises, and public organizations. It is imperative to seriously handle the grave cases of violations of financial and economic discipline, such as practicing fraud, capitalizing on the present reform for one's own gains, and undermining state financial revenues in line with the strengthening of macroeconomic control and management; imperative to concentrate on auditing the financial affairs of the businesses and units with confused financial control, poor economic results, and great losses and enormous waste; and imperative to make a comprehensive analysis of the problems found in the course of auditing and to make proposals on strengthening macroeconomic control and management.

In order to bring the supervisory role of auditing into full play, it is necessary to ensure auditing institutions exercise their functions and powers independently according to law and necessary to work out and perfect special laws and regulations concerning auditing work as quickly as possible, to ensure there are laws to be observed and that they are strictly enforced. Governments at various levels must strengthen leadership over auditing work and support auditing institutions in vigorously carrying out their work and doing their duties.

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FINANCE AND BANKING

HUNAN FARMERS INCOME RISES IN JAN-JUN PERIOD

OW071030 Beijing XINHUA in English 0722 GMT 7 Sep 85

[Text] Changsha, September 7 (XINHUA)--The average per capita income of Hunan farmers increased by 39.2 percent during the first half of this year, according to a new survey.

The sharp rise over the same period last year came despite reduction in early rice and other spring crops due to natural disasters.

A sample survey published here today indicated that each farmer averaged 154.4 yuan income in the first half of 1985.

The study was conducted among 3,700 farmers in 37 of the province's counties.

The survey credited the income increase chiefly to the farmers' enthusiasm for crops and sideline production. These have been stimulated since China implemented a contract purchasing system for grain and sideline products early this year instead of the former mandatory purchasing quotas.

According to the survey, each farmer in the province sold an average of 85.5 yuan of agriculture and sideline products during the first six months. This is a 138.7 percent jump from the same period last year.

Income from fishing increased fastest because many farmers turned low-lying fields not fit for crops into fish ponds and raised fish in rice fields.

Some increased income also was earned by farmers going to nearby towns to work in construction, transportation, trade and food services.

The added income has boosted the farmers' purchasing power, it was reported. According to the survey, farmers in Hunan bought an average of 136 yuan worth of goods during the first half of 1985, 28.6 percent more than the same period last year.

CSO: 4020/357

FINANCE AND BANKING

XINJIANG TAX BUREAU TO INSPECT TAX IRREGULARITIES

HK121255 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 11 Sep 85

[Text] The regional tax bureau will soon carry out a full-scale taxation inspection throughout the region. Recently, the situation of evading taxes has become rather serious among some units and individuals. This has not only affected the implementation of the state's tax regulations, and the financial revenue but has also corrupted cadres, the party work style and the general mood of society. This has seriously undermined economic structural reform and the socialist undertaking.

The target of this full-scale taxation inspection includes state and collective enterprises, run by industrial and commercial household individuals, administrative units, institutes and other taxpayers in both urban and rural areas. The focus of the inspection is on units which pay a large amount of tax and have many problems, as well as large industrial and commercial households run by individuals. It will definitely investigate problems occurring in 1984 and 1985. For some major and important cases, it may go back to any period before 1984.

On 7 September, the regional tax bureau formed a leading group for tax collection and inspection. The full-scale inspection will integrate the work of tax paying units' self-investigation with the inspecting work of the tax organs. The inspection will be completed by the end of this year.

CSO: 4006/949

FINANCE AND BANKING

INSURANCE SERVICE DEVELOPS RAPIDLY IN BEIJING

OW051959 Beijing XINHUA in English 1907 GMT 5 Sep 85

[Text] Beijing, September 5 (XINHUA)--Beijing insurance companies now have an annual income exceeding 40 million yuan, Wang Yuquan, manager of the Beijing Municipal Insurance Company, said here today.

He said at an insurance service exhibition which was opened today that insurance firms in the capital had enjoyed an average annual business increase of 31 percent since 1980 when the service was resumed.

More than 60 domestic and overseas insurance policies were now on offer, he said.

By the end of June, 7,199 enterprises, or 86.7 percent of the city's total, had insured their assets, while some 198,000 urban and rural households had applied for property insurance with 60,000 of them registering this year.

Some 106,000 vehicles and the lives of 218,000 people were also insured.

Wang attributed the rapid expansion of private property insurance to the improvement of people's living standards. More and more families were buying consumer goods such as color TV sets, refrigerators and cassette recorders.

A pension insurance service, which started this year, was popular among workers in private business, because unlike those working in state-run enterprises, they would not receive retirement pensions from the state.

The manager noted that the overseas service of his company had also grown quickly, as more than 20 types of cover were provided in recent years.

More than 300 foreign firms or their agencies in Beijing had taken out policies with his company or the People's Insurance Company of China, he said.

Beijing's insurance companies had also established business relations with more than 100 countries and regions, including Britain, France, Japan and the United States.

Over the past five years, the manager said, his company has paid out 36 million yuan on 8,100 claims.

FINANCE AND BANKING

INSURANCE COMPANY TO PAY FOR FLOOD DAMAGE, LOSS

OW130332 Beijing XINHUA in English 0249 GMT 13 Sep 85

[Text] Beijing, September 13 (XINHUA)--The People's Insurance Company of China (PICC) is expected to pay out over 200 million yuan in claims for losses caused by heavy floods and storms since July, according to a PICC spokesman.

These claims mainly cover business premises and private property.

With about 2,100 local branches and sub-branches, PICC is the sole state-owned insurance company in China. In the first six months of this year, PICC paid out 350 million yuan for various losses, while it earned 1.5 billion yuan from its domestic and overseas transactions.

Heavy floods and storms hit most of Liaoning Province, parts of Heilongjiang and Jilin Provinces (all in northeast China), part of Shandong Province in east China, part of Fujian Province in south China, and Shanghai, causing serious damage.

PICC branches rushed over 100 investigation teams to the disaster areas to help with the relief work and offer timely settlement on the claims.

The Beijing-based head office, which also sent officials to the areas, has prepared sufficient funds to back local branches which might come across financial difficulties, the spokesman said.

When Chongqing, Sichuan Province, was hit by a heavy hailstorm in May, the local branch settled 93 percent of the private property claims and 72 percent of the enterprise property claims, involving a total payment of 2.19 million yuan, within 25 days, according to the spokesman.

CSO: 4020/366



FINANCE AND BANKING

BRIEFS

EFFORT TO RENEW KEY ENTERPRISES--Beijing, August 19 (XINHUA)--China invested 10.49 billion yuan in renewing its 550 major state-owned enterprises in the first half of this year, 23.9 percent higher than last year, according to the state statistical bureau. The funds of the renewal come from domestic loans and local investments. The domestic loans came to 4.19 billion yuan in the first six months of this year, a 116.5 percent increase over the same period of last year. The local investments reached 7.48 billion yuan, a 54.6 percent growth. The investments of construction, equipments and utensils increased while unproductive investments reduced. The renewal of machinery and electronic industry involved 12.7 billion yuan, double the figure of last year. About 2.2 billion yuan were invested in the light and textile industry, up 780 million yuan for a 55 percent increase over the same period of last year. Of the 550 projects, 60 percent are expected to be completed by the end of this year. [Text] [Beijing XINHUA in English 1038 GMT 19 Aug 85 OW]

CSO: 4020/357

## MINERAL RESOURCES

### OFFICIAL REPORTS ON YUNNAN PHOSPHATE DEPOSITS

OW271146 Beijing XINHUA in English 0633 GMT 27 Aug 85

[Text] Kunming, August 27 (XINHUA)--Rich phosphorus deposits in southwest China's Yunnan Province can meet the national demand for phosphate fertilizer, a local official in charge of a feasibility study of the industry said here today.

By the turn of the century, Niu Kun said, China will need more than eight million tons of phosphate fertilizer annually, three times the present annual output.

Yunnan has located more than 20 billion tons of phosphate rock deposits in an area 500 km by 100 km and verified 1.91 billion tons of phosphorus reserves, ranking first in China.

The feasibility study has been carried out by technicians from nine local research and design institutes since 1983, in line with the country's plan to turn southwest China into an energy and raw material supplier.

In the coming 15 years Yunnan plans to install a number of mines and factories, including a yellow phosphorus plant with an annual capacity of 300,000 tons, near its capital, Kunming.

By then, the province will be able to produce 12 million tons of phosphate ore a year, and more than one million tons of the ore will be exported to Japan and Southeast Asia.

The province now has 25 phosphate mines with an annual output of 3.5 million tons, accounting for 25 percent of the country's total.

Its 26 phosphate fertilizer plants produce calcium superphosphate, calcium magnesium phosphate, yellow phosphorus and refined phosphate. A number of small factories have been built in recent years to process the material.

The hydropower sources of the Lancang, Jinsha and Nujiang rivers are enough for the exploitation of phosphate deposits, Niu said. Fifteen hydroelectric power stations with a total capacity of 20 million kw will be built on the Lancang.

The Lubuge and Manwan hydroelectric power stations, with a combined capacity of 2.1 million kw, will double the province's electricity output when they go into operation in six years' time.

MINERAL RESOURCES

BRIEFS

NEW METHOD DEVELOPED TO ESTIMATE MINERAL RESOURCES--Changchun, September 11 (XINHUA)--A new method to estimate mineral resources is being popularized in China, according to a recent national meeting here on mineral surveying. The method uses mathematical formulas to investigate mineral deposits and estimate the quantity through computerized calculation of analysis and information collected by means of geology, geophysics and remote sensing. The method was developed by Prof Wang Shichen, head of the research office of mathematical geology in Changchun Geological Institute in Jilin Province. He began the project in 1983 and then perfected it in practice. Geologists have used the method to calculate a number of large and medium-sized fluorite deposits in Zhejiang Province, and gold, borax and fluorite deposits in Liaoning, Hebei, Shandong, Zhejiang, Jiangsu and Fujian Provinces and the Inner Mongolia Autonomous Region over the past two years. [Text] [Beijing XINHUA in English 1144 GMT 11 Sep 85 OW]

PRODUCTION OF RARE EARTHS--Beijing, September 10 (XINHUA)--China has achieved over 1,000 scientific findings in research into rare earths in the past ten years, Ministry of Metallurgical Industry officials said today. The findings include new processes for producing yttrium oxide, fluorescent powder for T.V. tubes, neodymium-iron-boron and a third generation of rare earth for permanent magnet alloy. About 80 percent of the new findings have been applied to production. The use of rare earths in industry is estimated to produce economic returns equal to 500 million yuan a year. China is producing 9,000 tons of rare earths this year, 3.7 times more than in 1975. Only the United States exceeds China in production of rare earths. Rare earths help improve the properties of iron and steel, reduce pollution and increase fastness of colors in dyeing and tanning, raise the sugar content of fruit and shorten crop maturity periods. [Text] [Beijing XINHUA in English 1626 GMT 10 Sep 85 OW]

CSO: 4006/948

INDUSTRY

GOLD ALLOCATION BOOSTS TIBET HANDICRAFT INDUSTRY

OW250904 Beijing XINHUA in English 0832 GMT 25 Aug 85

[Text] Lhasa, 25 Aug (XINHUA)--The first batch of gold jewelry will be put on the market in Tibet on the eve of the 20th anniversary of the founding of Tibet autonomous region, according to local handicrafts bureau.

They include finger rings, bracelets and earrings. These were made with the 62,500 grams of gold the state granted to the region earlier this year for making personal ornaments and ritual lamps, local officials said.

This is part of the effort made by the central government to boost the region's traditional handicrafts industry over the past 20 years.

The official said that the central government has allocated funds every year to aid the industry since the region's democratic reform in 1959. Between 1980 and 1984, the state allocation amounted to 1.17 million yuan.

The central government encouraged the efforts of all sectors, including the state, collectives and individuals to develop the long-standing and flourishing Tibetan arts and crafts.

The number of private handicrafts workshops has grown to 108 as against only 33 in 1979 and the number of households specialized in this field has come to 5,400.

The variety of handicrafts increased from 830 to 1,360, including gold and silver ornaments, ceramics, jade ware, carpets, aprons, wood-carvings, bamboo and rattan plaited articles and ritual objects. Output value rose from some 14 million yuan in 1979 to the present 25.66 million yuan.

Over the past few years, local government has also appropriated funds for the industry to buy machines to replace the primitive tools. The number of machinery and modern tools supplied to collective workshops came to 970 pieces and more than 38,000 square meters of workshops have been rebuilt or expanded.

At the same time, the local government provided trucks, tractors and special equipment to collective and private handicrafts workshops.

CSO: 4020/349

INDUSTRY

PREPARATORY WORK FOR INDUSTRY SURVEY UNDERWAY

OW271013 Beijing XINHUA in English 0941 GMT 27 Aug 85

[Text] Beijing, August 27 (Xinhua)--Preparatory work and pilot projects for a nationwide industrial survey slated to begin in the first quarter of next year are going well, according to the industrial survey leading group under the state council.

According to the work program listed by Yuan Baohua, vice-minister of the state economic commission, in a TV speech last night, the training of several hundred thousand surveyors and the pilot projects will be completed by the end of this month. All preparatory work will be completed by the end of this year.

The survey, China's second--one was conducted in 1950--will take about two years and cover all 400,000 factories and enterprises owned by the state, collectives and individuals.

China began preparations for the survey in 1983 with the establishment of the industrial leading group under the state council and branch groups at every level from ministries to enterprises. A national training course was held at Tunxi, Anhui Province, in April and the leading group video-taped an 18 lecture TV series to be broadcast by local TV stations.

Last year, 344 industrial companies and the City of Changzhou, Jiangsu Province, were chosen for the pilot projects. This year, more countries, cities and companies have been added to the pilot scheme.

Yuan said that the aim of the survey is to know the country's present industrial status and actual strength. It will be a tremendous aid in guiding the progress of economic reform and in formulating a long-term development plan. He called on all localities to maintain high standards, strengthen survey organizations and allocate sufficient funds for the survey.

He announced that a national conference will be held in October to assess the preparatory work and assign specific tasks for the survey.

CSO: 4020/356

INDUSTRY

CHINA SET TO LAUNCH NATIONWIDE INDUSTRIAL SURVEY

HK270551 Beijing CHINA DAILY in English 27 Aug 85 p 1

[Article by Staff Reporter Chen Guangfeng]

[Text] China is preparing a national survey of its industrial companies to gather information on which to base long-term economic development.

The industrial Survey Leading Group (ISLG) under the State Council announced yesterday that the survey will be started in the first quarter of next year. The only similar survey since the 1949 founding of the People's Republic took place in 1950.

The survey will take about two years and cover roughly 400,000 companies under almost every type of ownership.

"It will be another important national survey of our country's present status and actual strength after the 3rd national census in 1982," Chen Zhenyu, the ISLG deputy office director, told CHINA DAILY.

"Through the survey, we hope to gain a clear idea of the basic conditions of our industrial enterprises and gather some comparatively complete, detailed and systematic data on which to programme the long-term development of our economy," Chen said.

"It is also intended to help improve the statistical and accounting work of our industrial enterprises, which have long been a weak link," he said.

He said the survey will start with investigating the basic conditions under which the companies operate, including their production activities, supply, marketing, workforce, funds and assets. Other items on the study list include inter-enterprise co-operation, economic efficiency, pricing of products, production costs, and the quality of employees.

China began preparations for the survey in 1983. During the past two years, work has concentrated on designing an overall programme for the survey, establishing a national network, training surveyors and launching pilot project.

The overall programme has been completed, and is to be announced this afternoon in a TV speech by Zhao Huaqun, the Group's deputy office director.

The ISLG was set up in 1983 to lead the survey. State Councilor Zhang Jingfu is its leader. Branch survey groups are being set up at every level from ministries to each industrial company.

Personnel have been intensively trained. A national training course was held at Tunxi City, Anhui Province in April and the ISLC has compiled and video-taped an 18-lecture TV series to be broadcast by local TV stations. Basic surveyors to do the work "on the ground" will be needed in millions.

In 1984, 344 industrial companies and Changzhou City in Jiangsu Province were chosen for a pilot survey. This year each province, municipality and autonomous region has appointed several counties, cities and companies to join the pilot scheme.

Yuan Baohua, vice minister of the State Economic Commission and deputy leader of ISLG, urged in a speech broadcast yesterday, that all preparations be completed by the end of the year.

A national conference on the survey will be held in October to assess whether preparations are complete and assign tasks for next year.

CSO: 4020/356

INDUSTRY

BRIEFS

SHENYANG REPORTS INDUSTRIAL PRODUCTION UP--Shenyang, 9 Sep (Xinhua)--The heavy industry city of Shenyang, Laoning Province, increased production output value by 18.3 percent in the first half of this year. Acting Mayor Wu Disheng reported the increase at the provincial international investment and import and export symposium now in session here. Shenyang was among the first to try out urban economic reforms. The first-half figure of 7.62 billion yuan represents an 18.3 percent increase over the same period of 1984, Wu added. In 1984, the city's industrial output amounted to 11.49 billion yuan, 18.4 percent more than the previous year. The money handed to the state in the form of profit and tax went up 22.3 percent from that of 1983. The increases followed the implementation of responsibility systems for workshops and workers in 4,567 factories since July, 1984, Wu said. Among these more than 200 big and medium-sized ones have been practising the system of factory directors assuming full control of their enterprises. In addition, he said, enterprises of the city's 11 industrial bureaus have established economic and technological cooperation ties with 1,148 factories throughout China. Thirty-six coal, coke, timber and aluminum centers have been built in other parts of China by joint operation and compensation trade, virtually ensuring the city's supply of raw materials, Wu said. [Text] [Beijing XINHUA in English 1244 GMT 9 Sep 85 OW]

CSO: 4020/356



DOMESTIC TRADE

SHANGHAI ACCELERATING ECONOMIC TIES WITH REST OF PRC

HK230523 Beijing CHINA DAILY in English 23 Aug 85 p 2

[By staff reporter Zhen Fan]

[Text] Shanghai--The country's largest city is accelerating its economic ties with the rest of the country.

About 2,000 projects launched in concert with other areas of the country are now in operation, three times the 1983 figure.

The basis of co-operation appears to be shifting from compensation trade, joint ventures, and marketing arrangements to technology exchange.

Most projects are in the field of light industry. Many have developed from two-party contracts to mergers of businesses.

The transfer of the city's advanced technology and management methods has stimulated development in other areas. Hefei Watch Factory in Anhui Province, for example, was a badly managed factory running at a loss. This year it started making a profit after setting up a joint production project with Shanghai's No 2 Watch Factory to make Baoshihua watches.

Shanghai Soda Water Factory has sent 70 groups of technical advisers to 36 factories around the country in the last few years to help with technical training.

Technical and management transfer have also speeded up the modernization of Shanghai's older industries. Shanghai Machine Tool Plant transferred production of ordinary lathes last year to subsidiary factories in Yangzhou, Shaoxing and Ji'an. As a result, the Shanghai plant now concentrates on the development of precision machines.

Shanghai Air Conditioner Factory has also shifted production of its basic models to subsidiary factories and turned its attention to products manufactured with imported technologies.

Industrial co-operation also enables increased production of popular products. Usually subsidiary factories provide raw materials. Shanghai No 3

Garment Factory helped set up a garment factory in Shandong's Jinin County which in turn provided the factory with 800,000 metres of wool cloth used to make 600,000 Western suits.

Shanghai Baolu Shoe Factory and Xinxiang Leather Factory in Hunan Province jointly set up a shoe factory with an annual capacity of 300,000 pairs of shoes. Xinxiang supplies Baolu with 110,000 square metres of leather each year that can be turned into 200,000 pairs of shoes for exports.

CSO: 4020/353

DOMESTIC TRADE

PROVINCES BOOST COOPERATION AT ECONOMIC MEETING

OW261940 Beijing XINHUA in English 1912 GMT 26 Aug 85

[Text] Lanzhou, 26 Aug (XINHUA)--More than 290 million yuan-worth of economic cooperation contracts and agreements were signed between China's eight coastal provinces and cities and eight inland provinces during a seven-day conference which ended here this afternoon.

The coastal areas, including China's largest industrial city of Shanghai, are comparatively developed, while the inland provinces' development has been impeded by lack of transportation and other reasons. The inland areas, though, are affluent in natural resources.

The conference was chiefly aimed at linking the natural resources of the inland regions with the technology and industry of the coastal areas on the basis of mutual benefit, according to an official in charge of the conference.

The 1,391 contracts and agreements signed during the conference generally fell into the following categories:

--Co-exploitation of inland mineral resources.

--Co-production of leading commodities of the coastal regions, such as machine tools, bicycle and motorcycle.

--Applying technology to production.

--Transferring technology.

CSO: 4020/353

FOREIGN TRADE AND INVESTMENT

FOREIGN BUSINESSMEN COMMENT ON OPEN DOOR, PRC ECONOMY

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 7, 27 Jul 85 pp 7-8

[Article: "Deepen Mutual Understanding, Strengthen Confidence in Cooperation; Abstracts of Remarks by Some of the Foreign Delegates to the International Symposium on 'China Facing the Future' "]

[Text] Editor's remarks: The symposium on "China Facing the Future," jointly organized by the Bank of China and OUZHOU HUOBI [EUROPEAN CURRENCY] magazine, was conducted in the wake of extensive economic achievements in China. The successes of China's construction truly attracted world attention, and our magnificent objectives for the coming 10 to 20 years will attract even greater attention in political, economic and financial circles throughout the world. However, can the open door policy be continued? In view of its economic and legislative shortcomings, is cooperation with China risky? At the present international symposium on "China Facing the Future," more than 300 Chinese and foreigners launched a lively discussion on these questions, deepened mutual understanding and strengthened confidence in cooperation. This reporter interviewed some of the foreign delegates and the following is the gist of their statements:

Yamada Morimasa, member of the standing committee of the board of directors of Nomura Shoken K. K., Japan:

The present symposium was of great significance for the promotion of economic exchange between China and all countries of the world. The Nomura Shoken group had altogether 68 delegates at the present symposium. Participants were mainly our customers; the large enterprises and financial organizations from the United States, Europe, Asia and Australia, all came with the same hope of being able to further promote cooperation with China. All participants found it most rewarding to listen to the speeches of such leading personalities as Premier Zhao Ziyang, Gan Ziyu [3927 1311 3768] and Wei Yuming [7614 3768 2494]. We had lately read in newspapers and periodicals about the economic

conditions in China and the open door policy, but most of us have had no direct contacts with China. Now, we have heard with our own ears confirmation of the accuracy of reports in the news media, and the speakers have strengthened our confidence in China's open door policy. In the past, we lacked confidence in investing in China, but this time many participants decided to become active on their return. From now on, I believe, they will speed up investment activities in China. Our Nomura Shoken group hopes that we will be able to utilize our technological knowledge and experience in the field of finance in a comprehensive way, in order to contribute to China's modernization drive. In the past 6 years, I have visited China more than 50 times, but few agreements on investments have been concluded between China and Japan, and little progress has been made in this respect. Things have changed this year; many more enterprises have visited China. Our own Nomura group itself signed an agreement last year with Shanghai Municipality for the construction of a large hotel, financed by us. I believe investment activity will increase steadily from now on.

Lord Chalfont, joint chairman of the symposium and member of the British House of Lords:

This was the first time an international symposium was held in Beijing on "China Facing the Future." Why did so many countries and delegates come to participate? I believe for two reasons: First, foreign financiers and enterprises want to gain a direct understanding of the changes that have occurred in China; they want to confirm what they have heard or read. Second, there is a belief, whether in New York, London, Paris or Tokyo, in the extensive market potential in China for the importation of foreign technologies and absorption of foreign capital. Also, observing the achievements made in China during the Sixth 5-Year Plan, from 1980 to 1985, Westerners consider these the direct result of China implementing the open door policy. There is, therefore, now the wish to step up cooperation with China.

The delegates who participated in the present symposium gained much clear and definite information, such as: China's open door policy is not a mere makeshift measure, but a long-term policy. In its four modernizations, China needs foreign advanced technologies and needs scientific management experience. I believe that China's Seventh 5-Year Plan will certainly be realized. This is not merely an economic question and a question of foreign countries opening up the Chinese market, but it is the ascent of a great new economic power, the beginning of a new process. If this process is successful, it will change the whole world pattern by the end of this century and change the balance of power in the world. It is a question for the Western governments to choose on which side to stand in this great transformation; it is hoped that they will make a wise decision.

Gut, chairman of the board of directors, Credit Suisse:

The goals that China wants to achieve by 1990 and 2000 are stupendous. From the statements of Premier Zhao Ziyang and the other Chinese leaders, I gained the impression that China is determined to achieve these goals. I remember that Mr Deng Xiaoping declared at the meeting celebrating the 35th anniversary of the founding of the PRC: "We want to give China a new appearance." The

Chinese people have indeed, by various methods, given China a new appearance. The Chinese market has great attraction for all the world, particularly for Europe. Chinese-Swiss cooperation can still extend to many more fields, from capital goods, the foodstuff, chemical and pharmaceutical industries, down to engineering works and management consulting services--for instance, hydroelectric and nuclear power plants, dams and tunnels, highways--and cooperation is also possible regarding surface equipment for civil aviation purposes. I personally believe that the form of joint venture enterprises is not only beneficial for the Chinese side, but also for the Swiss side. In fact, the economy is not a useless game where one side wins and the other side loses. On the contrary, we can compare the economy with a big tree full of vitality; under its abundant branches and leaves, more and more people can find shade. It seems that this year is a particularly favorable opportunity to engage in effective cooperation, because this is the year of the ox, and it is my understanding that if ox meets wood, this is an omen for a peaceful year and continued steady progress.

Switzerland is a neutral financial center. The favorable financial conditions that Switzerland holds ready for China have not yet been utilized as fully as possible. Chinese-Swiss cooperation must be strengthened one step further. Credit Suisse, therefore, decided to have its representative open offices in Beijing on 10 May for the purpose of offering the extensive range of services that the Swiss credit group can offer the PRC.

Picart, chairman of the board of directors of the Picart Group of Belgium:

China represents a huge market potential for Belgium; our cooperation can, in my opinion, take place in three directions:

1. Heavy industry: China and Belgium already are cooperating in the construction of thermoelectric power plants. Two weeks ago, Belgian Prime Minister Martens visited China for further discussions on cooperation for these power plants, which are large-scale projects of Chinese-Belgian cooperation.

2. Restructuring medium and small-scale enterprises: The economies of China and Belgium are both primarily economies of medium and small-scale enterprises. In this respect, Belgium wishes to provide its technology for a restructuring of China's present enterprises.

3. Agricultural and sideline products: There are many production and marketing cooperatives in Belgium, and the experiences in this area could be fully provided to China. Certain smaller projects could be set up which would require little investment and would show early results, yielding large benefits. Restructuring of enterprises is a key point in China's Seventh 5-Year Plan, and Chinese-Belgian cooperation in this area is possible.

In sum, Belgian entrepreneurs are extremely eager for the Chinese market, and more and more people want to come to visit China, evidenced by a letter in which the Belgian ambassador to the PRC requests our [Belgium's] Ministry of Foreign Affairs to cut back on the number of visitors.

As the leader of the famous Belgian steel wire group, I am willing to invest in China. Five Chinese provinces have already asked me to set up joint ventures for the construction of tire steel wire plants. This matter is now under consideration. It seems unavoidable that a Picart plant will one day be established on Chinese soil.

Robert W. Poole [?], in charge of the Chinese division of the American Chemical Bank:

Chemical Bank organized more than 30 of its customers and over 20 of its own personnel, a total of more than 50 people, who, as participants at the present symposium have gained much valuable information. We have indeed achieved our objectives, which were:

1. To allow our customers gain a direct understanding of China and see with their own eyes what possibilities there are, what the needs are, where cooperation is possible and what projects can be undertaken.
2. If our customers were to visit China individually, they would not be able to contact many people in a few days' time, but the fact that the symposium gave them an opportunity for many contacts was highly appreciated by all our customers.
3. The symposium was also a very important affair for those of us engaged in trade with China, because only a small minority of our customers had visited China. Those who had not been to China before kept asking us certain questions on which we ourselves needed a better understanding. It is only in this way, with better understanding, that we can function as a bridge in the economic and trade cooperation between China and the United States.

Hosomi Taku, Governor of the Kaigai Kyoryoku [Overseas Cooperation] Foundation, Japan:

1. China's further restructuring of its economic system and continuation of its open door policy are important steps. However, restructuring must proceed cautiously and gradually, and must not be pursued with undue impatience. It must, furthermore, pay attention to balanced development in three respects, between agriculture and industry, between light and heavy industry, and between investments and savings.
2. As a certain level is achieved by one's country's enterprises, protective measures should be abolished, and the enterprises must by then have acquired international competitive strength. Otherwise, it will be impossible to develop exports, and no further progress will be possible in economic development.

In the importation of technologies, China's strength in having so diligent a population should be brought into play and preference be initially given to the importation of labor-intensive technologies, later to be gradually expanded. In the matter of raising capital, greatest efforts should be made in domestic savings, and the interest rate for deposits must be above the rate of inflation. In the training of talents, elementary school education must not

be neglected. Elementary school education is definitely not less important than higher education.

3. In the Asia-Pacific area, which includes the two technologically developed countries of the United States and Japan, there is the possibility for continuous, stable growth. From a long-term point of view, the existence of China is beneficial for the promotion of upgrading and diversification of the industrial structure in the Asia-Pacific area, and thereby for increasingly stronger economic vitality in this area.

4. In their exports to and investments in China, foreign enterprises must avoid starting out from a short-term profit motive and must not engage in an uncontrolled competition.

9808

CSO: 4008/882



2 October 1985

## FOREIGN TRADE AND INVESTMENT

## BANK OF CHINA'S ROLE IN OPEN DOOR POLICY DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 7, 27 Jul 85 pp 5-6

[Article by Zhao Bingde [6392 4426 1795], deputy director, the Bank of China: "The Role of the Bank of China in Implementing the Policy of Opening Up Toward the Outside World"]

[Excerpt] The Bank of China is the PRC's foreign exchange bank; it is an important window in China's opening up toward the outside world, and the state has conferred upon it an important task in the implementation of the open door policy.

To meet the needs arising from the open door policy, the State Council decided in March 1979 to change the Bank of China into an economic entity directly under the State Council. In the following 6 years, the Bank of China has made considerable progress in all the various branches of its business. From the end of 1978 to the end of 1984, the assets of the Bank of China increased from 38.7 billion yuan to 200.3 billion yuan, its domestic branches increased from 58 to 261, and its staff and workers from 4,000 to 16,000. Its overseas branches increased from 184 to 286, and its overseas agencies increased to 1,185 banks with 3,301 main and branch establishments, distributed throughout 150 countries and territories of the world.

The duties and the sphere of business operations of the Bank of China as prescribed by the state are: unified management of the state's foreign exchange, handling the state's receipts and expenditures of foreign exchange, and managing all business transactions in foreign exchange and related renminbi [RMB] transactions. This mainly comprises: settling all commercial and noncommercial international accounts, handling foreign trade credits, foreign exchange credits and complementary RMB credits, credits to Chinese-foreign joint venture enterprises, export credits, credits and commercial loans from international banking groups, handling international fiduciary investments and property leasing business, trade in foreign exchange and international gold trade, issue of bonds and other securities in foreign currencies, foreign currency deposits and RMB deposits linked with foreign exchange transactions, and to sign agreements with foreign countries and central banks for participation in international financial activities, as authorized by the state and commissioned by the Chinese People's Bank. The overseas branches of the Bank of China and the affiliated banks in Hong Kong and Macao may engage in all banking business permitted by local law.

In the past 6 years, the Bank of China has continuously improved its services, energetically expanded its range of business, and developed from mainly handling the settlement of international accounts into a specialized foreign exchange bank with diversified activities of raising and utilizing capital. As regards organizing and raising foreign exchange for China's modernization drive, the Bank of China, in addition to maintaining normal relations for financial accommodation with 120 large banks throughout the world, also regularly participate in the international finance and capital market, and in order to raise capital for domestic projects, uses buyer's credits, mixed credits and public bonds in the countries involved. In the future, we wish in this respect, especially in the raising of funds for large domestic projects, to broaden our cooperation with our friends in the international financial community.

As to the utilization of funds, our bank has instituted in the last few years some necessary reforms as far as credit transactions are concerned, and has, furthermore, engaged in the business of fiduciary investments. The main targets for the investment and utilization of funds are the support and development of exported goods production, key energy sources and transportation projects as well as the technological transformation of old enterprises. In support of the development of import-export trade, RMB circulating capital loans granted by our bank to foreign trade enterprises more than doubled in 1984, compared with 1978. Foreign exchange loans of various kinds granted to certain central and local enterprises have doubled and redoubled. Last year alone, our bank granted loans of almost \$600 million to such key energy projects as the Guangdong nuclear power plant, the Shanxi Pingshuo Colliery and the Daqing and Zhongyuan oil fields. Local projects, numbering almost 6,000, were supported with loans totalling over \$1 billion. In addition, our bank has also given loans in support of the construction of tourist hotels, contract engineering projects overseas and Chinese-foreign joint venture enterprises. Up to now, more than 200 joint venture enterprises in China have received credit support from the Bank of China.

China's development is inseparably linked with developments in the world, and developments in the world also need China. I believe the knowledgeable entrepreneurs and financiers in all countries will realize that having China expand its foreign economic relations amounts to expanding the world's market and is bound to promote economic development in all countries. The trend of China utilizing foreign exchange funds provides an opportunity for foreign industrial, commercial and financial circles to establish economic and trade intercourse with China. These opportunities will rapidly increase in the future. It is our desire to build a bridge as an intermediary between Chinese and foreign industrial and commercial circles and serve as the go-between who finds suitable partners for both sides to cooperate with one another, so as to promote economic and technological interchange and cooperation between China and foreign countries. It is a desire of the Bank of China to facilitate for our friends in the industrial, commercial and financial circles of all countries a more active participation in cooperative business with China in the field of economics, technology and finance, and our bank will in the future exert itself to the utmost for this purpose.

It must be pointed out most emphatically that the Bank of China has attached the utmost importance in the last few years to bringing foreign banks or

enterprises together with relevant Chinese enterprises to establish investment partnerships and organize joint investment consortia or joint ventures. As to joint investments, the following are some of the larger projects that have been accomplished already: the Shanghai Dazhong Automobile Corp, the Shanghai Yaohua-Pilkington Glass Corp, the Hunan Yueyang Ramie Mill and the Kunlun Restaurant in Beijing. As to cooperative management projects, our bank has on various occasions, with the participation of relevant domestic economic departments, joined Japanese, West German, Italian, French, American and Hong Kong banks in the organization of several finance and property leasing companies. Apart from traditional business cooperation between international banks, the Bank of China also plans an even broader cooperation with our friends in the international financial community. The cooperation may be of diverse types and patterns; it may be joint investments within the borders of China, such as the joint development of certain key projects in the form of taking up shares or loans by a banking group, or it may also be forming partnerships abroad, as, for instance, joint investments for the development of certain industries producing raw or other materials. We would be most enthusiastic in discussing and exploring ways of cooperation with our friends in the international financial community.

The Bank of China is willing to continue its contributions toward strengthening the economic and technological development of all countries of the world and to strengthen the friendly intercourse between peoples.

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CSO: 4006/882

FOREIGN TRADE AND INVESTMENT

POSITION ON OPEN DOOR, OTHER ISSUES REITERATED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 7, 27 Jul 85 pp 3-4,6

[Article by Wei Yuming [7614 3768 2494], Vice Minister of Foreign Economic Relations and Trade: "Use of Foreign Capital and Importation of Technology: Current Status and Future Outlook"]

[Text] China is now engaged in the grand undertaking of socialist modernization, in an effort to quadruple the country's industrial and agricultural annual gross output value by the end of this century and to approach the level of the world's developed countries in its economy and technology within another 30 to 50 years. The world's experiences and our own practical experiences make it quite clear that in order to accelerate the progress of our socialist modernization, it is necessary for us to open up to the outside world and, on the basis of self-reliance, vigorously develop economic relations and expand economic and technological cooperation with other countries. For this purpose, China has adopted a series of important policies and measures. In 1979, special policies and flexible measures were implemented in Guangdong and Fujian; it was decided to establish four special economic zones, in Shenzhen, Zhuhai, Shantou and Xiamen. Later, foreign trade, with authority to use foreign capital and to import technology, was gradually expanded in all provinces, autonomous regions and centrally-administered municipalities. By a further decision last year, another 14 coastal port cities were opened up, granting even broader powers of self-determination in the use of foreign capital and the import of technology. Most recently, in commenting on the new open door policy, Chairman Deng Xiaoping again emphatically pointed out that "our purpose is not to become more restrictive, but to continue to open up, and possibly to open up much wider in future." All this means that we shall unswervingly persist in opening up toward the outside world and in expanding our economic and technological exchange and cooperation with foreign countries, and that this is our consistent standpoint. There are indeed broad prospects for China's economic and technological cooperation with other countries.

During the 6 years that we have adhered to the open door policy, we have absorbed and utilized \$17.2 billion of various types of foreign capital, of which almost \$4 billion were direct investments. More than 900 joint venture enterprises, more than 2,000 cooperative management enterprises, 31 cooperative development enterprises, 74 wholly-owned foreign enterprises, and almost 1,200 projects of compensatory trade have been brought about. It is

particularly noteworthy that a spectacular change took place in 1984: more than 700 joint venture enterprises were established in this year alone, which in quantity and investments was 3.5- and 2.2-fold more, respectively, than in the last few years. By nationality of investors, investments from the United States, the West European countries and from Japan increased rapidly. In China itself, there was an expansion of target areas for investments, an expansion of types of industries, more increases in productive projects and a trend toward large-scale projects. A similar trend occurred in China's imports of technology. In the past 6 years, in addition to foreign capital being used to bring in technology, and the foreign exchange owned by local entities and departments being used to import a large amount of technology, more than 900 technological items were imported by using the state's foreign exchange, a doubling in 1983 compared with 1982. In 1984, a further increase of over 50 percent occurred, compared with 1983. All these developments are concrete indications of bright prospects in China's utilization of foreign capital and importation of technology; they are the natural results of our series of open door policy measures, as they equally represent the objective needs of China's modernization. In the spirit of the recently convened NPC, we shall effectively work out the proper relationship between speed and economic results, and work even more effectively to maintain this developmental momentum.

All our trades and industries are faced with the arduous task of technological reform; they must simultaneously engage in the construction of a great many new projects. The need is great for advanced technologies and the required capital funds. In this respect, we must rely primarily on our own strength. However, our technological level is low and our capital accumulation limited; therefore, we must draw support from the capital and advanced technologies of other countries to overcome the difficulties we are now facing. Let us make the best of the time left to us and accelerate our work of construction.

The range of advanced technologies that China needs is extensive. We need advanced technologies for traditional industries as well as for newly arising industries; we must appropriately import some complete sets, as well as some key items of equipment. Starting out from the current foundation of our industrial technology, we are most in need of advanced techniques and technologies of all kinds and the technology for manufacturing equipment. The adoption of versatile and diverse forms in the technology trade and the way of obtaining licenses for patents and exclusive technologies in common international use must be our points of emphasis. In addition, we shall also widely utilize cooperative production, consultations with advisors, and technical services.

We have to point out here that foreign countries need not fear that by transferring technologies to China, China will become a competitor on the international market. China is a developing country, and there is still a huge gap if we compare our technological level with that of the developed countries. What we intend to import now is mostly advanced technologies already in use in the developed countries, and it will take a considerably long time for China to master and assimilate these technologies. The most spectacular development at present is the extremely rapid acceleration of the renewal cycles of technologies in the developed countries; to catch up with the world's advanced technological level is not an easy matter for China to

achieve. China has a very large domestic market, and China's technological development will first of all have to satisfy the material and cultural needs of its own population. This is a well-known, fundamental fact. Competition cannot be avoided; the export of technologies to China is itself facing fierce competition. Whoever will adhere to the open door policy will emerge victorious. Competition promotes a country's development, and entrepreneurs with the strongest enterprising spirit will prove their mettle in the competition, paving the way for further advances.

China's need for foreign capital is considerable. The different forms of capital each have their particular merits; thus we must use them selectively. According to China's management level and repayment ability, we must seek in the near future to obtain mostly medium- and long-term loans at medium and low interest rates from foreign governments and international monetary organizations, and make appropriate use of certain export credits and private bank loans available abroad. It is well known that a large proportion of all international financial cooperation is transacted by private bank loans, widely utilized by the developed countries and the more advanced developed countries. In the wake of an improved level of management in China, and in view of its growing economic strength, the use of private bank loans will also gradually increase. In the future, we shall increasingly absorb direct foreign investments, which will be beneficial by their being accompanied by advanced technological experiences in business management, which will in turn be widely useful in carrying out technological reforms in the large number of our medium and small-sized enterprises. As to trades and industries suitable for investment, all may be suitable to receive investments, except only those enterprises which for reasons of national security or the possibility of social pollution must not be set up with direct investments. According to the developmental strategy of China's national economy, the future emphasis will be on the development of energy sources and natural resources, transportation, building materials, precision and large-scale machinery, electronic instruments and components, agriculture, education and scientific research. Primary consideration will be given to productive projects, particularly the construction of technology-intensive projects and such projects that will help expand our exports. As to the scope of projects, large, medium and small projects will all be welcome. While we shall continue to develop medium and small projects, it is hoped that there will be a greater increase in large-scale projects.

China has adopted a series of measures to encourage foreign investment. China has fixed the income tax, including local surtax, for Chinese-foreign joint venture enterprises at 33 percent. This is definitely low, compared with taxation not only in the developed countries, but also in certain developing countries. There are, furthermore, fairly generous time periods for reductions and exemptions from taxation. Investments in certain large-scale projects in industries designated by China for preferred development or in industries of low profitability, may enjoy further appropriate reductions in or exemptions from income tax, or extensions of reduction and exemption terms. Imports of equipment and materials that make up the foreign investment are also exempt from customs duty.

We observe that many foreign investors are extremely concerned about the extent to which China's domestic market will be opened up and about the legal

safeguards for their investments. In our opinion the demand that a portion of the products of Chinese-foreign joint venture enterprises and foreign-financed enterprises be sold back to the countries in question is reasonable; it is a common demand by many developing countries. First, there is a need for a balance in the foreign exchange of the enterprises themselves, as it would otherwise be difficult to pay the foreign partner's dividends, the salaries and wages of foreign personnel, and pay for the raw and other materials and components and parts, which may have to be imported. Second, the extent to which the technologies brought in by the foreign partner are of advanced nature should be tested in competition on the international market, not to mention projects where the original purpose was to combine the advantages of both parties in order to break into the international market. However, in dealing with any problem we must be realistic, conduct concrete analyses and deal with each case on its merits. China presents an extensive market with a very large capacity for new technologies and new products. It is our hope that foreign investors will in this respect render extensive cooperation so as to jointly develop our domestic market. As long as the advanced technologies provided by the foreign investor are needed by China, and as long as his products are such that China would have to import for a long time to come, we can open up a part of our domestic market or even completely open up the domestic market. This shows that the extent to which the domestic market will be opened up for joint ventures and foreign-financed enterprises will be determined mainly by the extent to which the technologies provided by the foreign party, or his products, are needed; China has not fixed the proportions of export and domestic sales. In conditions like these, difficulties of enterprises in balancing their foreign exchange could be resolved by allotments from local authorities, departments and the state.

China is currently exerting great efforts in perfecting its legal system. Concerning the question of legal safeguards for investments, more than 40 relevant laws and regulations have been enacted, agreements for the protection of investments have been signed with 10 countries, and agreements for the prevention of double taxation have been signed with 4 countries, so that we may indeed say that the foreign investor will obtain effective protection for his investment and for his interests in China. We are, however, not at all satisfied in this respect and are in the process of pushing ahead with further work in this direction, to further improve relevant legislation and to better meet the needs of China's participation in international economic activities. As to important legal provisions, which for the time being have not yet been formulated, we shall adopt emergency measures by in some cases enacting provisional regulations, or in some cases writing them into the contracts, which, after approval by the government, will have legal effect. In that respect, the foreign investor can have complete peace of mind.

Currently, huge changes are taking place in China; the reform of the entire economic system, with the cities as focal points, will bring even greater vitality to all branches of development. China's economy will continue to develop firmly and harmoniously, and its environment for the absorption of foreign investments and for the importation of technology will greatly improve. I believe much greater developments are bound to occur in the economic and trade relations between China and all countries of the world.

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## FOREIGN TRADE AND INVESTMENT

### LAW GOVERNING CHINESE-FOREIGN JOINT VENTURES ANALYZED

Beijing ZHENGFA LUNTAN [TRIBUNE OF POLITICAL SCIENCE AND LAW] in Chinese No 1, Feb 85 pp 2-9

[Article by Zhou Ziya [0719 1311 0068]: "Analytical Study of the Law Governing Chinese-Foreign Joint Ventures and Its Enforcement Regulations"]

[Text] Following the 3d Plenum of the 11th CPC Central Committee, China adopted the open door policy in its foreign trade relations and, while observing the principles of independence, self-determination and self-reliance, actively absorbed and utilized foreign capital, imported advanced technologies and expanded economic and technical cooperation with foreign parties in order to promote China's economic development. To further these aims, China promulgated in 1979 the "Law Governing Chinese-Foreign Joint Ventures" (hereafter, for short, "joint venture law"). It is one of the seven major laws promulgated at that time and was, furthermore, to take effect as from the day of its promulgation. After 1980, consonant with the implementation of the "joint venture law," China, furthermore, promulgated the "Procedural Regulations Governing the Registration of Chinese-Foreign Joint Ventures," "Regulations on Labor Management in Chinese-Foreign Joint Ventures," "Income Tax Law Concerning Chinese-Foreign Joint Ventures," "Detailed Regulations for the Enforcement of the Income Tax Law Concerning Chinese-Foreign Joint Venture Enterprises," and "Provisional Rules Governing the Occupation of Building Sites by Chinese-Foreign Joint Venture Enterprises." In 1983, China again promulgated the "Detailed Regulations for the Enforcement of the Law Governing Chinese-Foreign Joint Venture Enterprises" (hereafter, "Enforcement Regulations"). The facts prove that the joint venture law is in full accord with the needs of China's economic development. It has had a very marked impact indeed on the importation of foreign advanced technologies, on the upgrading and updating of our products, on the utilization of foreign investment for the technical restructuring of enterprises, on the adoption of foreign experiences in the improvement of business management of enterprises, and on the expansion of foreign trade, exports and foreign exchange receipts. In the 5 years that the law has been in force, considerable progress has been made and initial successes have been achieved.

Three years ago, this writer pointed out and discussed certain problems in an article dealing in a general way with the Chinese-foreign joint venture law (see FAXUE ZAZHI [JOURNAL OF JURISPRUDENCE] 1983, issues 2 and 3). Up to this



day, those problems have not yet been completely resolved, and in addition to the old problems, new ones have arisen, particularly since the enforcement regulations to the law had been promulgated and increased the areas in which comparative analyses are needed. Using that article, suitably amended and supplemented, as a basis, I have, therefore, now compiled this article for another discussion with specialists and all comrades who have actual working experiences in this field.

## I. On the Problem of Juristic Personality

According to Article 1, paragraph 3, of the Joint Venture Law, the joint venture enterprise must be established within the borders of China, its establishment must be approved by the China Foreign Investment Administration and, after approval, registered with the State Industry and Commerce Administration to obtain a business license. Paragraph 2 of the law stipulates that joint ventures must obey Chinese laws, regulations and other relevant legal provisions in all their activities. Article 2 of the Enforcement Regulations further elucidates that joint ventures "are judicial persons under Chinese law, subject to Chinese jurisdiction and protected by Chinese law." However, with respect to juristic personality, the problem is not that simple. Since the joint venture enterprise is a company with limited responsibilities, what actually is its legal status and what are its rights and obligations? This is not at all clear, owing to the fact that no company law has yet been promulgated. The Bankruptcy Law also has no stipulations, thus how is liquidation to be carried out after bankruptcy? Furthermore, if Chinese joint venture enterprises establish branch organizations or agencies abroad, how is their legal status to be determined? This touches on the question of jurisdiction. The foreign party investing in a joint venture is possibly the subsidiary company of a foreign parent company, and the legal relation of the parent company may have an effect on the subsidiary company, which may present a problem of a conflict of law. If the contract for the importation of technology is signed between the joint venture and a third party, this may bring up the questions of having to apply a foreign law and whether stipulations have been made in the contract. All these questions are worthy of detailed study. Furthermore, an examination will make it clear that being a Chinese judicial persons, the joint venture enterprise is restricted in certain respects in its legal capacity and in its capacity to engage in juristic acts. What is the relationship between, on the one hand, the enterprise as a legal person (i.e. the joint venture enterprise) and the industrial legal person (i.e. the company or economic organization that establishes the joint venture) and, on the other hand, the administrative organ in charge? Since the Enforcement Regulations clearly stipulate that the joint venture enterprise is a juristic person under Chinese law, and since there are specific stipulations as to production, supplies and marketing of the joint enterprise, the legal provisions must be strictly observed and the status of the joint enterprise as a juristic person must be respected. The power of self-determination (in respect of personnel, finance, materials, production, supplies, marketing, etc.) is closely linked with the success or failure of the joint enterprise in its business operations. Without the power of self-determination, the enterprise would be as good as fettered on hands and feet, and it would not be possible to fully exploit the specific advantages of utilizing foreign capital.

## II. Problems Regarding the Scope of Authority To Manage and Operate the Business of the Enterprise

These are two important problems, which touch on the organization of the management structure, the exercise of management rights, the appointment of personnel, the employment and dismissal of workers, and so on. The joint venture enterprise shows three special characteristics: joint investment of capital, joint responsibility for profits and losses, and joint participation in management. The organ of highest authority is the board of directors, which leads the entire organization and decides all important matters, including the developmental plan of the enterprise, the program of its production and business activities, the budget of receipts and expenditures, profit distribution, labor and wage plans, the termination of operations, and the employment or engagement of the chief and deputy managers, the chief engineers, the chief accountants, the auditors and their authorities and remunerations. The chief managers and their deputies are responsible for executing all resolutions of the board of directors. The position of chairman of the board of directors is to be filled by the Chinese side and the position of deputy chairman of the board --possibly two such positions--is to be filled by the foreign side of the joint venture. The general manager may be appointed by the foreign side, while the Chinese side will appoint the deputy general manager, the purpose being to absorb foreign managerial methods and technical strengths. The joint enterprise is organized on the principle of the economic responsibility system under the leadership of the board of directors. As to the dismissal and hiring of staff and workers of the joint enterprise, Article 7, paragraph 2 of the Joint Venture Law and chapter 12 of the Enforcement Regulations provide that this should be dealt with according to the "labor management provisions" of the Joint Venture Law.

However, in actual implementation, there are many problems. For instance, Article 4, paragraph 1, of the labor management provisions stipulate that the joint enterprise has the "authority of dismissal and employment," and the second paragraph of the same article stipulates: "Dismissed staff and workers shall be found other work by the departments in administrative control of the enterprises or the departments of labor administration." In implementing this rule, the joint enterprise must wait till the department in charge or the labor administration has found another place for the staff or worker to be employed before he can actually be dismissed. This, in reality, rescinds the right of dismissal which the joint enterprise should be able to exercise according to law. Article 92 of the Enforcement Regulations determines the system of training and evaluating staff and workers so that they will be fit to meet the demands of modern enterprises with respect to production and administrative abilities. Paragraph 93 again stipulates that the wage and bonus system of the joint enterprises must accord with the principles of distribution according to work and more gain for more work. All the various mentioned provisions are beneficial for the development of the joint enterprises, and if properly enforced will contribute greatly to improving enterprise management and development.

The Joint Venture Law itself does not contain any provisions pertaining to the scope of business operations of joint enterprises; the Enforcement Regulations have very clear provisions which point out that the foreign investment "must promote China's economic development and raise China's S&T level, being

beneficial to China's modernization drive." Positive criteria that will allow establishment and negative criteria that will disallow establishment of joint enterprises are: 1. Positive criteria means that the joint enterprise must: (1) employ advanced technologies and equipment and scientific management methods; (2) contribute to the technological restructuring of enterprises; (3) be capable of expanding exports; (4) train managerial personnel. 2. Negative criteria means that an application for establishment of a joint enterprise will be refused in any of the following cases: (1) infringement of China's sovereign rights; (2) violation of Chinese laws; (3) unsuitability to the demands of China's national economy; (4) environmental pollution; (5) obvious unfairness of the contract, agreement or statutes of the intended enterprise. Poland's "Law Governing Foreign Investments" prohibits investment by foreigners in key industries, such as in the heavy-duty machinery, electronics and metallurgical industries (according to "Selected Data on Foreign Economic Laws"). Apart from the above-mentioned criteria of the Enforcement Regulations, China also demands that operations must be conducted in accordance with state policies. In his "Report on the Economy," Premier Zhao Ziyang pointed out: Foreign capital must be used primarily on such basic installations that serve the development of energy sources and transportation. As to medium and small-sized enterprises manufacturing products that are urgently needed in the domestic and foreign markets, we must relax restrictions somewhat regarding their use of foreign capital and importation of technologies. Products that are presently in demand on the international market and in the production of which China's advantage of abundant resources can be brought into play, are: mineral products, agricultural, sideline and local speciality products, handicraft and art products, and products of the light and textile industries. All these are currently within the joint enterprise scope of business and should be developed most energetically.

Raw and semifinished materials for joint enterprises should as far as possible be bought in China, but could also be bought directly from the international market. Products should as far as possible be sold on foreign markets, but could also be marketed in the domestic market. Precisely as Premier Zhao said, if two resources are to be used, preference should be given to domestic resources, and international resources should only be a second alternative; if two markets are to be opened up, preference should be given to the domestic market, and the international market should take second place. The Enforcement Regulations clearly stipulate that the joint enterprise is free to decide whether it will buy domestically or abroad whatever materials it needs, and that it is also free to determine the supply channels for every kind of material. The supply of materials that are subject to plan distribution shall be assured according to the contract involved. Articles for office use or daily necessities may also be bought as needed without restriction. As to prices, apart from gold, silver, platinum, petroleum, coal and timber (used for the manufacture of export goods) to be priced according to prices on the international market, the joint enterprises may enjoy the same treatment as state-run enterprises as to other materials, motive power, transportation supplies and services, which are all to be paid for in RMB according to current prices.

### III. Investment Proportion and Types of Investment

The Joint Venture Law stipulates that foreign investment must not be less than 25 percent of the total investment; there is no upper limit prescribed. According to the provisions of the Enforcement Regulations, the total investment in a joint enterprise (including the loans taken by the enterprise) refers to the total capital construction funds and production circulating funds of the joint enterprise. Registered capital is the total capital registered with the organ in charge of registration when the joint enterprise is set up. The investment cannot be reduced during the time the joint venture is in operation. In case of sale, it requires the other party's consent and approval by the organ authorized to give such approval. The other party to the joint venture has the right of preemption.

As to the types of investment, the Joint Venture Law stipulates that these may be cash, material and industrial property. The so-called "material" refers to factory sites, raw materials, semifinished materials, fuel, equipment, and so on. The so-called industrial property refers to patent rights, trademarks, all belonging to the sphere of intellectual property rights. The Joint Venture Law stipulates that industrial property and equipment has to be of an advanced type, and must, furthermore, be suited to the needs of China. If an attempt is made to deceive with antiquated technologies or equipment, any resulting damage must be compensated.

As to the problem of pricing the investment of a patent right or of an exclusive technology, Yugoslavia and Romania have set up certain restrictions--their value must not exceed 10 percent. Poland prescribes that half of any foreign investment must be in cash. There are no similar legal provisions in China, a point that would seem to deserve further study.

### IV. Patent Right Questions and Exclusive Technologies

The patent right is a major part of all industrial property; it is a matter closely linked with the establishment of joint venture enterprises and must be considered an important factor. There are two types of technology transfers: One is that the technology of the particular industrial property, such as a patent, trademark, external design, etc., has completed legal procedures of due registration and approval in a certain country and is receiving protection as an industrial property in certain countries. The other type is that the technology is not within the scope of the industrial property law, mainly technical know-how, also called "exclusive technologies," (manufacturing techniques, raw material formulas or business secrets) and is traded by way of a licensing agreement. The designation in the Joint Venture Law is "industrial property," while the Enforcement Regulations lists both the industrial property and the exclusive technology, and has a separate chapter on "Importation of Technologies" (Chapter 6), referring to the transfer of the required technology to the joint enterprise from a third party or from one of the parties of the joint enterprise (Article 43). The Enforcement Regulations contain very detailed provisions regarding the conditions and execution of such transfers: they "must be useful and of an advanced nature;" "the products must be of an obvious socioeconomic value in China or have competitive strength on the international market." According to Article 44,

the licensing agreement must be concluded on the premise that the independence of the joint enterprise in operating its business is being upheld. The essential conditions are: fees must be fair and reasonable, the time limit must not exceed 10 years, it must not impose restrictions on the party importing the technology with regard to the exports of the products, purchasing of machinery and equipment and the continued use of the technology after expiration of the agreement, and it must not contain unreasonable restrictive provisions that are prohibited under Chinese law (the various paragraphs of Article 46).

There are, however, certain omissions in the Enforcement Regulations in its provisions on the question of technology transfers, particularly regarding certain problems of the application of law. For instance, in Article 25 it is the industrial property or exclusive technology brought in as the investment of the foreign party of the joint enterprise, but in Article 43 it is the joint enterprise as juristic person, which "obtains the required technology from a third party or from one of the parties of the joint venture." The two cases are different in nature; in the latter case the transfer is an organic part of the joint venture agreement, where, of course, Chinese law applies, but in the former case the concrete conditions of the case must be sized up. On the effect of international treaties and international practices, China's Civil Procedure Law prescribes in its Article 189 that when "international treaties concluded or participated in by China contain provisions that differ from the provisions of Chinese law, the provisions of the said international treaties shall apply. However, articles which China has declared it will retain as valid are excepted from this rule." Article 55 of the Law Governing Economic Contracts reads: "Regulations for economic and trade contracts with foreign parties will be separately enacted according to the principles of this law and international practices." The Civil Procedure Law, furthermore, provides: "International treaties have preference over the application of Chinese domestic laws." However, there is Article 15 of the Enforcement Regulations which prescribes: "Chinese law shall apply with regard to the conclusion, effects, dissolution and execution of joint venture agreements and in disputes arising from them." According to this article, Chinese law has to apply in cases of technology transfer agreements. Japanese lawyers have objected to this interpretation, arguing that it has already become international practice to apply the laws of the technology exporting country. There is a conflict here, a problem of application as well as the conflict of laws. Moreover, if it is found at the time of concluding a technology agreement that Chinese law has no provision that could be invoked in support of a particular article of the agreement, can such article, which accords with the law of a foreign country, be included in the agreement? For instance, the Chinese-American agreement on cooperation in the manufacture of pharmaceuticals stipulates: "The products of the joint company must conform to the standards for pharmaceutical production of the U.S. Food and Drug Administrations" (G, M, P, standards); must this be considered a violation of the law? There are still other questions, for instance: the content and scope of the technology transfers is not sufficiently clear; how are we to explain a "technology transfer of a continuous nature"? How are we to differentiate between "patent" and "exclusive technology"? Some agreements use terms like the so-called complete materials, or "complete technology;" what does this refer to? Some agreements have no provisions at all for the check before acceptance of the technological means or for testing capabilities, but have

the "receiver," i.e. the joint enterprise, accept the obligation of "not divulging the technology to any other third party," which is really too unreasonable. Some agreements have set no time limit for the duration of the technology transfer, which must then be understood to be the same as the 20 years of the joint enterprise, but this seems to be too long. Article 46, paragraph 3, of the Enforcement Regulations prescribes: "The time limit for the technology transfer agreement must in general not exceed 10 years." This is appropriate. As to the methods of percentagewise distribution, the Enforcement Regulations have this provision: "The percentage of shared distribution must not exceed normal international levels." The percentage distribution "must be calculated according to the net amount of sales or according to any other reasonable method agreed upon between the parties." However, there are no provisions that allow or disallow payment in case of loss.

#### V. Profit, Income Tax and Foreign Exchange Problems

Profit, taxation and remittance of foreign exchange directly affect the interests of the foreign investor; they are questions foreigners are most concerned about. Their concern is whether their investments and profits are secure. Might these items be "nationalized" by the country receiving the investment? Can profits earned be remitted to their own country? On that point, the constitutions and investment laws of Yugoslavia, Hungary and other countries give positive assurances. Article 18, paragraph 2 of the 1982 Constitution of the PRC clearly prescribes: "Foreign enterprises in China or other foreign economic organizations and joint enterprises using Chinese and foreign investments must observe the laws of the PRC. Their legitimate rights and interests are protected by the laws of the PRC." Article 2 of the Joint Venture Law also clearly prescribes: "The Chinese Government will protect according to law the investments of foreign parties in joint venture enterprises, their share of profits from and other legitimate rights and interests in such enterprises, whose agreements, contracts and statutes have had the approval of the Chinese Government." In concrete terms, the net profits of the joint enterprise, after paying income tax and deductions for reserve funds and staff and workers bonus and welfare funds, as required by law, may be shared according to the proportion of registered capital of each party. The Enforcement Regulations elaborate further on this basis that the board of directors determines the proportion of deductions for the three funds. The reserve fund is to be used not only to make up for losses, but also to increase capital for expanding production; this is an assurance to the foreign party of the joint venture that reasonable profits will be earned.

Tax revenue is the focal point where the distribution of benefits between the joint enterprise and the state and between the investing parties merge. The proper determination of taxes is important for the encouragement of foreign investments. China has already formulated its "Income Tax Law Concerning Joint Ventures With Chinese and Foreign Investment" and a personal income tax law. Guiding principles in these laws were that, on the premise of upholding the state's sovereign rights, taxation should be as light, preferential treatments as broad, and procedures as simple as possible. These principles are conducive to encouraging foreign investment and importing foreign advanced technologies on a basis of mutual benefit. The tax rate is 30 percent, in addition to which 10 percent of the income tax is to be paid as a local income



tax, so that the two together will amount to a 33 percent taxation. This is consonant with the general international level (in capitalist countries tax rates are as high as 50 percent).

To encourage investment and promote economic development, the tax law contains many preferential exemptions or reductions. For instance, a foreign investor who reinvests his profits in the joint enterprise will be refunded 40 percent of the income tax, which he has had to pay. Furthermore, in 1983 the NPC Standing Committee passed a resolution revising Articles 5, 8 and 9 of the "Income Tax Law of the PRC Concerning Joint Ventures With Chinese and Foreign Investments." Article 5, paragraph 1, was amended to: "Joint enterprises established for a term of more than 10 years may, upon application by the enterprise and approval by the tax office, be exempted from income tax for the first and second years, starting with the first year in which profits are made, and may pay only half of the income tax due during the third to fifth years," thus extending by 1 year the periods for exemption from income tax and for reduction to half of the tax normally due. This amendment fully reveals the spirit of a policy tending toward further relaxation, as it was also meant as a measure to encourage foreign investment. In addition, the Enforcement Regulations also prescribe that the joint enterprises may import certain materials free from customs duty and industrial and commercial composite tax (see Article 71), and that export goods manufactured by the joint enterprise, excepting those that are restricted for exports, may be exported free from industrial and commercial tax. For products marketed in China which in the initial stage may not be able to bear taxation, reduction or exemption from industrial and commercial composite tax may be applied for for a certain period of time. All these measures demonstrate that full support is being given to joint venture enterprises.

As to personal income tax, the tax law stipulates that any wage, salary or income from work is taxed from 5 to 45 percent on that part which exceeds 800 yuan per month. A personal income tax of 20 percent is levied on interest, dividends and bonuses. The tax rates are not at all high, also not too low. A solution has to be found for the problem of double taxation. There are two aspects to the problem of double taxation, as far as joint ventures with Chinese and foreign investments are concerned. One is that income earned abroad from the joint enterprise or from its branch establishments is taxed simultaneously by China and by the foreign country in question. The second problem is that foreign employees and workers are taxed twice, once in China and again in the foreign country in question. If these issues are not properly resolved, they may adversely affect the normal conduct of international investments.

How can the problem of double taxation be solved? Up to now, there is no official international convention. International practice normally adopts one of two ways: One is to allow an offset, which means that the government at the taxpayer's residence, acknowledging the priority of regional jurisdiction, will allow a certain offset from the total tax amount due in the country of residence with regard to income earned by the taxpayer in the country which is not the country of his residence. International practice also applies a method of tax remission, that is, the country of the taxpayer's residence allows a remission with regard to that part of his income tax for which he received reduction or exemption in the country that is not his country of

residence, and in that case no further tax will be additionally levied according to the tax rates in force in his own country. The other way is international taxation agreements, of which the basic substance would be the coordination of taxation between the contracting countries for the purpose of avoiding double taxation. Article 16 of China's income tax law for joint enterprises contains a relevant provision. Recently, China signed an agreement with the United States for the prevention of double taxation (and of tax evasion), which will be of great benefit for the future development of joint enterprises.

As to foreign exchange, China is carrying out foreign exchange control. Article 10 of the Joint Venture Law prescribes that the foreign investor may remit abroad, in the currency stipulated in the joint venture agreement, through the Bank of China and according to the Foreign Exchange Control Regulations, the net profits accruing to him after fulfilling his legal agreement and contract obligations, also his share of capital and other funds at the end of the joint enterprise term or at the termination of its business operations. The Enforcement Regulations further relax the restrictions with regard to salary, wages and other benefits of foreign staff and workers in that "application may be made to the Bank of China for complete remittance abroad of the balance remaining after paying all taxes according to law and deducting all expenses incurred in China."

#### VI. Problems Related to the Contract

Problems related to the contract constitute the central problem in the joint venture arrangements. The Joint Venture Law has only 15 articles; all are provisions in the nature of principles. It has, therefore, been said earlier that in business relations with Chinese one must fully rely on one's contract. It was only after the promulgation of the Enforcement Regulations that 14 substantial items were regulated, when it was also stipulated that appendices to the joint venture contract are equally effective as the joint venture contract itself.

In view of some of the conditions in various joint enterprise contracts, there seems to be a need to discuss the following issues:

1. Joint enterprise contracts are different from the general type of contracts in that there is after all a foreign production (investment) element which imparts it with a certain foreign nature. In concluding this type of contract, the emphasis is on "important point of agreement" and "promises of undertaking" obligations; there are clauses dealing with contractual promises and guarantees, with liens, force majeure, exemption from responsibility, and so on. Particular care must, therefore, be taken when concluding joint venture contracts; wording must be carefully chosen and ambiguities avoided. In this regard we incurred heavy losses some years ago.

2. According to the Enforcement Regulations there are three kinds of legal documents involved in joint venture arrangements, namely "agreements," "contracts," and "statutes." I believe that according to the Economic Contract Law "contracts" are "agreements," and the Enforcement Regulations also prescribe that in case of conflict between agreement and contract, the contract shall prevail. Besides, "agreements" simply contain "certain points



of importance and principles," and they are not as concrete and detailed as "contracts." After conclusion of a contract, the "agreement" is bound to be replaced by the "contract" and has no further function. It is, therefore, suggested that this document called the "agreement" may be eliminated. There are, moreover, the so-called "letters of intent," "memoranda," "initials," "approvals of principles," etc., which are also superfluous and could be done away with. The provisions of the contract should be the only criteria.

3. The contents of the contract must be appropriately formulated. For instance, the principals of the contract are the parties to the joint venture, and the contents of the contract should be limited to the rights and obligations of the parties of the joint venture. Some contracts include, quite improperly, obligations of a third party apart from the two parties to the joint venture, or obligations in excess of what the parties to the joint venture can possibly assume, which is highly inappropriate. Some items do have to be included in the contracts, such as the proportion of losses that each party has to bear, the proportion of domestic and export sales of products and the responsibility for breaches of contract.

4. Appendices to the contract are of the same legal force as the contract itself. Some contracts have "technology transfer agreements" signed separately by the joint enterprise as one party and a party of the joint venture (second party) as an appendix to the joint venture contract. This is inappropriate, because such an "agreement" is an agreement between the joint enterprises and one party (as the second party), and it is not an agreement between the two parties within the joint venture arrangement; it is not within the sphere of the joint venture contract and, therefore, must not be considered an appendix to that contract.

5. Force majeure: It is a generally accepted principle of international law and of all national laws, that in civil law relations, due to force majeure, contracts can be dissolved or responsibility for breaches of contract declined. This is also clearly prescribed in China's Economic Contract Law. The scope of force majeure is limited to events which the party could not foresee, prevent or guard against (such as fire or flood disasters, war, earthquake, typhoon), and does not apply to events brought about by the mistake or misconduct of the party concerned. If the contract lists the cases of force majeure, they must be studied item by item and closely scrutinized to avoid any ambiguity that could provide a loophole for contract violations. Some contracts also designate "public disturbances" and "work stoppages due to conflicts between management and workers" as force majeure; this is obviously not appropriate.

6. On the question of applying laws that are newly promulgated during the contract term, some contracts stipulate that "if the laws and regulations on which the conclusion of the joint venture contract was based are amended or relevant new laws are promulgated during the term of the contract, the contract is still to be fulfilled according to the old law, and the new law shall have no binding force on the contract." Such a "freezing article" may sometimes be welcomed by both parties of the joint venture, and some administrative organs in charge may also believe that it may reassure foreign parties and help attract foreign investments. This is an inappropriate viewpoint. If any new law (including amendments of old laws) with relevance

to the contract is promulgated during the contract term, the new law must be implemented. This has to do with the authority and uniformity of the law and must not be ignored. The correct method would be for the new law to permit application of the divergent articles of the old law under certain circumstances. It means that only by legislative methods can it be permitted to continue application of the old law within certain limits or under certain circumstances.

## VII. Arbitration

Arbitration means that in case a dispute has arisen between the two parties of the contract which the board of directors cannot settle through negotiation, a third party is invited to mediate or arbitrate. This third party, according to the provisions of the Joint Venture Law, is the Chinese arbitration unit, but by agreement between the parties this may also be any other arbitration unit, including that of any third-party country. In the international field, there are many arbitration units, such as the famous arbitration unit of the International Chamber of Commerce in Sweden. The United States, Great Britain and other countries also have arbitration units and there are also other arbitration organizations. The choice of either submitting to arbitration or filing a suit in a court of law depends--as the Civil Procedure Law prescribes--on the agreement between the two parties. If the agreement stipulates that disputes must be arbitrated by the Chinese organization for the arbitration of cases involving foreign parties, no suit can be filed with the law courts. Only if there is no written agreement may a suit be filed in court. Article 193 of the Civil Procedure Law prescribes that "in cases decided by the PRC's organization for the arbitration of cases involving foreign parties, the parties involved must not file suit in the people's courts." This shows that the decision of the arbitration unit carries the same force as the final judgement of a law court. If one party fails to honor this kind of arbitration award, the other party can request the intermediate people's court at the place of the arbitration unit or at the place of the property involved to enforce the award according to law.

What law is to be applied in arbitration is also a matter deserving our attention. Since the joint venture contract is signed according to Chinese law, the effect, interpretation, execution and settlement of disputes must, of course, also be subject to Chinese law. According to the most recent legal theory, the law of that country closest to the legal act in question must be applied. This is called the theory of "the closest-link factor." The joint venture enterprises are most closely related to China, and if any dispute arises between the foreign and the Chinese parties of the joint venture, the application of Chinese entity law is undoubtedly logical. Of course, this is only limited to matters concerning rights and obligations stipulated in the contract or statutes, but in case of activities with foreign elements, one must have guidelines that are based on the general norms of private international law for judging such activities. This touches on the problems of jurisdiction and the application of laws. Hungary promulgated in 1979 a "Decree No 13 Concerning Private International Law," which may serve us as reference, as it conforms to current international practices and also shows a way of safeguarding the country's own legitimate interests. At present, a system of "friendly arbitration" is current in the international practice, though also opposed by some. Moreover, are mediation and arbitration to take

place successively at various stages or to take place alternately? This too should be studied. In some contracts the article on arbitration stipulates: "If arbitration before the Chinese arbitration unit is unsuccessful, the case may be referred to the International Chamber of Commerce in Stockholm, Sweden, for arbitration." This amounts to saying that the Chinese arbitration unit may only mediate and not arbitrate, which not only impairs Chinese sovereignty, but also violates the principle of equality of the arbitration organizations of the two countries. Following are a few additional words on the structural characteristics of the Joint Venture Law and its Enforcement Regulations.

The Joint Venture Law is, on the one hand, a law concerning investments and, on the other hand, also in some ways a law concerning enterprise organization; it is a special investment law and a special company law (the company being similar to a "mixed joint-stock company"). First, there are foreign elements in the investment relation: at least one party among the principals is a foreign juristic or natural person; one part of the investment comes from a foreign country; the company's production and business activities contain foreign elements, as, for instance, some raw and other materials as well as equipment are imported from abroad, and a part or the largest part of its production is marketed abroad; part of the company's profits as well as salaries and wages of its foreign employees and workers are remitted abroad; in case of dispute there is the possibility that arbitration will take place before a foreign arbitration organization. Second, the establishment, activities and investment relations must accept the direction and control by the state plan; in actual fact, the state planned economy is primary, and is merely supplemented by application of international market economy. This legal peculiarity of the joint venture enterprise determines that its norms are many and extensive. As we see from the Enforcement Regulations, the norms constitute on the whole three categories: (1) Norms that regulate the relations of rights and obligations between the investors, including norms concerning the amounts to be invested by each party, their participation in business management and profit distribution, and their responsibility for debts, as well as rights and obligations in case disputes have to be settled. (2) Norms that regulate the relations between the parties of the joint enterprise and the enterprise itself, such as norms on the responsibility to compensate the enterprise by that party of the joint enterprise that fails to fulfill obligations of the agreement, contract or statutes, norms concerning the importation of technologies for the joint enterprise undertaken by one party or the marketing of products (return sales) by the foreign party of the joint enterprise. (3) Norms regulating the relations between the joint enterprise and the administrative departments in charge of enterprises, the organs in charge of examining and approving the establishment of enterprises or other relevant authorities, including norms concerning establishment and registration of enterprises (norms on the procedure for organizing joint enterprises), the guidance and supervision of joint enterprises by relevant administrative departments, the checking and approval of the contract and of the technology transfer agreement, etc., by administrative department in charge of checking and approving, the approval of the land administration departments of the use of land by the joint enterprise, approval by the commodity price control departments of prices for that part of the enterprise production which is marketed domestically as well as tax affairs, the foreign exchange departments regarding the taxation of the joint enterprise and controlling its receipts and expenditure of foreign exchange, and so on.

Among the three types of norms, the first two are norms of horizontal economic relations, embodying equality and mutual benefit, compensation at equal value and unified coordination. The third type are norms of vertical economic relations of the nature of economic controls. The Enforcement Regulations contain all these different legal norms because operations involving Chinese and foreign investments constitute an integration of various legal relations, both horizontal and vertical, of domestic as well as international character. The facts show that as far as the regulation of the total legal relations found in the Chinese-foreign joint venture enterprises is concerned, all the above-mentioned norms are mutually linked, and not a single one can be dispensed with, as otherwise it would have a detrimental effect on all other norms and would make it impossible to realize the purpose of the joint venture enterprise. For instance, if there would be no provision that would allow through adjustment and planning a solution of the problem of foreign remittances by enterprises in the case of certain products that are mainly marketed domestically (see Article 75 of the Enforcement Regulations), it would be impossible to balance the receipts and expenditures of foreign exchange of the joint enterprise, business would be impossible to perpetuate, and there would be no security for the interests of the foreign investors. Again, for instance, if there were no provisions to implement a procedure of checking and approving the establishment of joint enterprises, then even though agreement is reached on the establishment of the joint enterprise on the basis of unity of opinion among the parties of the joint venture, it would still not be possible to realize the enterprise. This shows that the law governing joint ventures with Chinese and foreign investments must be comprehensive in nature, created by an integration of various legal norms (vertical and horizontal, domestic and involving foreign elements). This is determined by the character and tasks of so unique an economic formation as the joint enterprise; it also accords with the actual needs for expanded international economic interchange.

The special characteristics of China's laws concerning Chinese-foreign joint enterprises as expressed in the Enforcement Regulations not only contribute constructively to theoretical discussion of the structure and system of our laws concerning foreign investments, but are of important, real significance for the promotion of the actual work in connection with joint ventures. We must conscientiously implement all provisions concerning the rights and obligations of the various investors, fully observe and protect the legitimate interests of the parties to a joint venture, encourage and absorb foreign capital (encouragement could be provided by a reduction in land rents, in the fees for water and electricity, by increasing industrial insurance, such as machine obsolescence insurance, even by going so far as to grant investment bonuses and subsidies). We must at the same time coordinate the activities of our foreign capital and foreign exchange controls, tax and labor administrations, industrial and commercial administrations and judicial departments as well as between all other departments concerned with utilization of foreign capital and strengthen our unified control of foreign capital in order to fully exercise the important role joint venture enterprises play in our four modernizations.

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FOREIGN TRADE AND INVESTMENT

SHANXI GOVERNOR OUTLINES COOPERATION PLANS

OW211842 Beijing XINHUA in English 1830 GMT 21 Aug 85

[Text] Taiyuan, 21 Aug (XINHUA)--Shanxi Province, China's leading coal producer, will step up economic and trade cooperation with foreign business firms, Deputy Governor Bai Qingcai said at a symposium in session here.

He said Shanxi plans to speed up the pace of imports of technology and equipment to mine rich coal reserves and update 10,000 mining, power, metallurgical, machinery and chemical factories.

The 10-day symposium on international economic and technical cooperation is the second in as many years held by the province. It is being attended by 160 factory managers from 17 countries.

Shanxi is presenting 216 projects at the symposium involving one billion yuan, including 220 million U.S. dollars of foreign funds. Both the number of projects and investment surpasses that of last year.

The projects cover coal mining, chemicals, metallurgy, machinery, power, electronics, light industry, textiles, medicine, food, building materials and minerals.

Since the first symposium in April last year, the province has signed 83 contracts with foreign businesses worth 67 million U.S. dollars. Twenty eight of them have already gone into operation.

To simplify procedures for checking and approving contracts, a joint office has been set up by the provincial planning and economic commissions, foreign economic and trade departments and bank.

CSO: 4020/348

FOREIGN TRADE AND INVESTMENT

RENMIN RIBAO REPORTS ON JOINT VENTURES ABROAD

OW180710 Beijing XINHUA in English 0637 GMT 18 Aug 85

[Text] Beijing, 18 Aug (XINHUA)--China has set up 144 joint ventures abroad since it began to pursue the open policy in 1979, according to the PEOPLE'S DAILY today.

Chinese investment in these ventures comes to 160 million U.S. dollars, accounting for 66 percent of the total investment involved.

The paper says that these joint ventures spread in more than 40 countries and regions in Asia, Africa, South America, North America, Europe and Oceania. They cover a wide range of fields, including ocean fishing, resource development, processing, construction, transportation, consultancy service and Chinese restaurants.

A fleet of 13 fishing vessels has already arrived in Senegal, Guinea (Bissau) and Sierra Leone to carry out fishing operations according to a fishing agreement signed with these countries.

A plant set up in Brazil produces 250 cubic meters of plywood and as much timber daily. Two factories under the Sino-Brazilian timber company has provided jobs to more than 180 local people.

Chinese restaurants have been set up in a dozen countries including the United States, Japan, the Federal Republic of Germany and the Netherlands.

In addition, more than 70 countries have offered some 300 projects for co-operation with China. These projects are being discussed, the paper adds.

CSO: 4020/348

FOREIGN TRADE AND INVESTMENT

REGULATIONS FOR PACKING DANGEROUS GOODS FOR EXPORT BY SEA

Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 8 Jul 85 p 2

[Article: "Administrative Measures for Inspecting Packages of Dangerous Goods for Export by Sea (Trial)," Issued by State Economic Commission, Ministry of Foreign Economic Relations and Trade, Ministry of Communications, and State Commodity Inspection Bureau, on 20 May 1985]

[Text] Chapter One: General Principles

Article 1. In accordance with the provisions of the "Regulations Governing the Inspection of Imported and Exported Commodities of the People's Republic of China" and the requirements of the "Rules and Regulations for the Transport of Dangerous Goods on International Waters" (hereinafter called "International Danger Regulations"), these measures have been formulated to enhance the administration of inspecting and supervising the packing of dangerous goods for export by sea, to ensure the safety of lives and safety during production and transport, and to expand exports.

Article 2. These measures shall be applied to the packing of dangerous goods for export by sea as covered by the "International Danger Regulations." (The packing of pressurized containers and radioactive substances shall be handled in accordance with the relevant state regulations.)

Article 3. The local commodity inspection bureaus (hereinafter called commodity inspection organs) shall be responsible for the local supervision and administration of inspecting the packing of dangerous goods for export by sea. They shall also appraise the performance and usage of packages of dangerous goods for export.

Article 4. Producers and handlers of dangerous goods exports bear direct responsibility for packing dangerous goods. In accordance with the relevant laws and regulations, these departments must accurately select and make use of packing containers for dangerous goods, make appropriate arrangements for their storage and transport and implement various safety measures.

Article 5. Packing containers for dangerous goods that are for export by sea must be secure, in good condition and able to stand loading, unloading and the common risks of transport by sea. The composition and type of packing container as well as the method of packing must be suited to the type of dangerous substance intended for storage.

Article 6. All departments concerned with the producing, handling, use, storage, loading, unloading and transport of packing containers filled with dangerous goods for export by sea must strictly inspect and examine them.

## Chapter 2: Production Inspection of Packing Containers

Article 7. Producers of packing containers for dangerous goods for export by sea (hereinafter called producers) must register with the commodity inspection organs.

Article 8. In accordance with the requirements of the "International Danger Regulations," producers must arrange for producing packaging for dangerous goods, establish an inspection system, provide inspectors and inspection equipment, and improve quality controls and the inspection of goods.

Article 9. Producers shall apply to the commodity inspection organs for performance appraisals in accordance with the specifications for producing and inspecting packing containers. At the time of inspection they shall provide product specifications, technical regulations regarding the packing container and the results of the factory inspection. If it is necessary for the producer to alter the produce specifications or processing techniques within the commodity inspection organs, specified appraisal period, the producer shall promptly resubmit the inspection application to the commodity inspection organ.

Article 10. The producer's code name and lot number must be stamped or otherwise indicated on packing containers after they are approved by the commodity inspection organ.

Producers of packing containers that exhibit stable performances and can fully meet the requirements of the "International Danger Regulations" can apply to a commodity inspection organ for a commodity inspection stamp.

## Chapter 3: Usage Inspection of Packing Containers

Article 11. Producers of dangerous substances shall use packing containers based on the containers' performance appraisal certificate issued by the commodity inspection organ and in accordance with the demands of the "International Danger Regulations." Packing containers provided by foreign businessmen can be used only if they have performance appraisal certificates and are certified as meeting "International Danger Regulations."

Article 12. Prior to filling a plastic container or a container that has an interior coating with a dangerous substance in liquid form, producers of dangerous substances must test it to see that the substance's chemical characteristics are suited to container specifications and that it conforms to requirements.

Article 13. Producers of dangerous goods must establish sound systems for usage inspections of packing containers and apply to a commodity inspection organ for a usage certificate on a per-batch basis. At the time of application producers must write in the name, nature and classification of the dangerous good for export.



#### Chapter 4: Packing Appraisals of Dangerous Goods

Article 14. Based on the application for a packing certificate of dangerous goods for export by sea, commodity organs shall sign and issue an appraisal certificate. The appraisal categories are performance appraisals and usage appraisals.

Article 15. Based on different circumstances and requirements, packing appraisals by a commodity inspection organ shall take the form of per-batch, periodic and indeterminate random inspections.

Article 16. Inspectors of packages of dangerous goods for export must be conscientious in fulfilling their tasks; must be familiar with the characteristics of dangerous substances, the performance of packing containers and the concerned transport regulations; and must master testing techniques.

#### Chapter 5: Examinations of Packages of Dangerous Goods

Article 17. Export departments shall examine and accept dangerous goods based on the usage appraisal certificate of a packing container's performance issued by the commodity inspection organ.

Article 18. In the process of loading, unloading, transporting and storage, storage and transport departments must prohibit violent loading and unloading and prevent damage to packing containers, the spilling of dangerous goods and the occurrence of other accidents. When a packing container seeps or is damaged, the departments should promptly contact the departments concerned and arrange for appropriate measures. At the same time they must make notes to identify those responsible and plug leaks.

Article 19. Based on the performance and usage appraisal certificates for packing containers that are issued by the commodity inspection organs, harbor units shall arrange the shipping of dangerous goods for export and rigorously determine whether the packing conforms to the commodity inspection certificate and whether there is damage, seepage, pollution or serious corrosion. Packaging that does not meet the requirements shall not be warehoused or shipped.

#### Chapter 6: Supplementary Articles

Article 20. Commodity inspection organs which appraise the packaging of dangerous goods for export by sea can collect reasonable appraisal fees.

Article 21. Applicants objecting to an appraisal made by a commodity inspection organ can apply for reappraisal.

Article 22. Local commodity inspection bureaus can formulate detailed implementing rules and regulations for administering the inspection of packages for dangerous goods for export by sea in that locality based on these measures and the actual local situation.

Article 23. These measures shall become effective as of 1 July 1985 and shall be subject to interpretation by the State Commodity Inspection Bureau.

FOREIGN TRADE AND INVESTMENT

QUESTIONS, ANSWERS ON RULES FOR PACKING DANGEROUS GOODS

Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 8 Jul 85 p 2

[Interview: "State Commodity Inspection Bureau Personnel Answer Questions Regarding Inspecting Packaging of Dangerous Goods for Export by Sea"]

[Text] China's "Administrative Measures for the Inspection of Packages of Dangerous Goods for Export by Sea" (Trial) became effective 1 July. This reporter asked those in charge of the concerned departments of the State Commodity Inspection Bureau to explain questions related to the "Administrative Measures."

[Question] Why should we start to administrate inspections of packages of dangerous substances for export by sea?

[Answer] Dangerous goods include inflammables, explosives, poisons and corrosives. Therefore it is very easy for fires, explosions and other major accidents to occur in the course of loading, unloading, handing over, storing and transporting the goods if the performance of the packaging for such goods does not conform to their requirements or the packing is improperly used. At the same time this directly influences foreign trade and exports. As early as 1965 the International Maritime Organization of the United Nations formulated the "Regulations for Transporting Dangerous Goods on International Waters," which included specific regulations for loading and storing and packing requirements for dangerous goods. Many countries successively adopted measures and formulated similar rules and regulations based on these regulations. The "Administrative Measures for the Inspection of Packages of Dangerous Goods for Export by Sea" (Trial) issued by the State Economic Commission, the Ministry of Foreign Economic Relations and Trade, the Ministry of Communications, and the State Commodity Inspection Bureau were formulated based upon the relevant international regulations and China's actual situation. The regulations will play a positive role in ensuring safe transport, expanding foreign trade and exports, and promoting the development of the packaging trade.

[Question] What is the scope of inspections and what kinds of inspections are there?

[Answer] The "Regulations for Transporting Dangerous Goods on International Waters" list more than 2,300 kinds of commodities as being dangerous goods. These commodities are divided into 9 categories based upon their characteristics and degrees of danger. Our categories and divisions of commodities designated as dangerous goods for packing inspections are also based on these regulations. Any of China's exported packaged goods that appear in the "Regulations for Transporting Dangerous Goods on International Waters" must be inspected.

[Question] How are packages of dangerous goods handed over and consigned for shipment?

[Answer] In the course of making packing containers for dangerous goods, producers must make their own standardized tests and apply to the local commodity inspection organs for performance appraisals. The containers can be filled with dangerous substances only if they meet the requirements. Producers of dangerous goods shall accept packing containers based on the appraisal certificates and then accurately select and utilize them according to regulations. At the same time producers must apply to the local commodity inspection organs for a usage appraisal. Exporters and transporters shall check, accept, load and ship dangerous goods based on the packing container's performance and usage appraisal certificates issued by the commodity inspection organs.

[Question] How are inspections by the commodity inspection organs arranged?

[Answer] The producer or user of packing for dangerous goods must separately apply to the local commodity inspection organs for performance and usage appraisals. When arranging for an inspection, they must first fill out an application form in accordance with the regulations for the kind of substance and submit it to the commodity inspection organs. Producers must provide the organs with the packing container's product specifications, technical regulations and the results of their own tests. For plastic containers or containers with interior coatings, users must provide the commodity inspection organs with the results of chemical tests for their suitability as vessels of dangerous goods in liquid form.

[Question] What does a performance appraisal of a packing container involve?

[Answer] A performance appraisal of a packing container is determined by the different kinds of packing container and the form and characteristics of the substance the container will be filled with as well as by potential damage while in transport. The relevant portions of the "Regulations for Transporting Dangerous Goods on International Waters" require that a packing container's performance appraisal include drop, seepage, hydraulic pressure, stacking and barrel quality tests. Each test has definite standards and requirements. For example, the drop test requirements for different forms of packing vary in terms of height, the number of falls, and drops from different positions and angles.

[Question] How will packing containers for dangerous goods made before 30 June be handled?

[Answer] Considering that many such containers were made and are in use, in storage or being transported, based upon the producer's valid certificate of inspection and acceptance of goods that was previously issued, the departments concerned should still consign them for shipment. These certificates will be valid for a maximum of 1 year. Packing containers for dangerous goods that go beyond the validation period must apply to the commodity inspection organs for performance appraisals. Those packing containers for dangerous goods that were loaded and shipped prior to 30 June can continue to be transported for 3 months as of 1 July. Once the 3 months have expired, as of 1 October 1985, the departments concerned will accept and consign dangerous goods for shipment based upon the usage appraisal certificate issued by the commodity inspection organ for the container. They must make prior arrangements to apply for inspection.

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FOREIGN TRADE AND INVESTMENT

GUANGDONG'S YU FEI ON INCREASING EXPORTS

HK051320 Beijing CHINA DAILY in English 5 Sep 85 p 2

[By staff reporter Song Xihui]

[Text] Guangzhou--Guangdong is making a number of moves to increase foreign exports.

Yu Fei, 55, vice-governor of the province, told CHINA DAILY he was confident that the present volume of foreign trade, which stands at \$2.4 billion, could be boosted to the \$5.9 billion target by 1990.

At the moment, local exports are heavily outweighed by the import of technology and equipment.

Yu, who is also director of the provincial Foreign Economic Committee, said that strict and systematic management was necessary to overcome the chaotic state of foreign trade that has led to the importing of equipment for resale at high profit. "The policy of limiting the amount of foreign funds and state loans is anything but bad to those running honest businesses in China," he said.

"Having banned the unhealthy trend in economic affairs, we are now working out how to speed up Guangdong's foreign trade and local economy," Yu Fei said, "We are duty-bound to make a greater contribution to the country, as we have the advantages of ample supplies of both financial and material resources from home and abroad."

Being close to Hong Kong and Macao, Guangdong can easily keep in touch with foreign markets. "We hold the responsibility to adopt and absorb the essence of foreign technology, equipment and management and spread the knowledge to other parts of the country."

Yu Fei outlined his ideas on how to orient the local economy to foreign markets.

Foreign funds that are invested in fixed assets, the development of productivity and loans that can generate foreign exchange should be encouraged. Imports of factory assembly lines that require imported parts should be restricted.

Products must be made to international standards of quality, size, variety, and price according to market demands.

The province's focus should be turned from Hong Kong and Macao markets to other international markets, though production at county level should continue to meet the needs of Hong Kong and Macao.

Research should be accelerated to help improve production of rice, fruit, fish and meat. Modern methods of cold storage and processing should be adopted so that export products are kept in good condition.

CSO: 4020/348

## FOREIGN TRADE AND INVESTMENT

### RAPID PROGRESS IN INTRODUCING FOREIGN TECHNOLOGY

OW180851 Beijing XINHUA in English 0831 GMT 18 Aug 85

[Text] Beijing, 18 Aug (XINHUA)--China is making rapid progress in introducing foreign technology this year, but well-coordinated plans are necessary to cut redundant imports, said officials of the Ministry of Foreign Economic Relations and Trade.

According to the ministry's technology import and export department, the ministry approved 318 contracts for importing technology between January and June of this year, more than double the number approved in the corresponding period of last year.

The contracts involved 2.05 billion U.S. dollars as against 339 million in the same 1984 period.

The technologies are mainly in the fields of metallurgy, machinebuilding, electronics, energy, chemical and light industries.

Major contracts signed included import of production technology for color video recorders from Japan, the Elob [as received] digital telephone exchange equipment from France, flame-resistant conveyors from Britain, the 2,050mm strip steel hot-rolling mill from Federal Germany and a contract with the McDonnell-Douglas Corp. of the United States for cooperative production of MD-82 aircraft.

In importing technology, the ministry officials said, China emphasized the need to produce parts and components on its own and assimilate the imported technology.

The Nanjing light industry machinery plant in Jiangsu Province and the Hefei light machinery plant in Anhui have put into service a production line for cold drink bottles. The manufacturing technology was imported from Mitsubishi Heavy Industry Co Ltd of Japan, but about 70 percent of the machine parts were made in China. The quality of the project proved up to the required standards. But the most serious problem in technology import, the ministry said, is that many technology imports are redundant and a well-coordinated plan is needed.

CSO: 4020/348

FOREIGN TRADE AND INVESTMENT

ZHEJIANG SIGNS FOREIGN COOPERATION CONTRACTS

OW210840 Beijing XINHUA in English 0653 GMT 21 Aug 85

[Text] Hangzhou, 21 Aug (XINHUA)--Zhejiang Province signed 49 contracts to absorb foreign funds in the first seven months of this year, according to the provincial authorities.

These contracts in the forms of joint venture, co-management, compensation trade and leasing, involve a total investment of 102,290,000 U.S. dollars including 33,240,000 U.S. dollars of foreign funds.

They include projects in fishing, building materials, chemicals, electronics, the garment and light industries and tourist service.

Seven contracted projects have gone into production. The rest are still under construction or preparation. Most projects are scheduled for completion within two years.

Included is the Zhouyang fishing joint venture company, the first Sino-Japanese joint venture fishing company. It was inaugurated on August 5 in the Zhoushan islands of Zhejiang Province.

Altogether 165 contracts with a total investment of 206,990,000 U.S. dollars were signed between Zhejiang Province and Hong Kong and foreign firms from 1979 to July this year.

Zhejiang has prepared more than 50 cooperative projects for discussion at the provincial foreign economic and trade seminar to be held in the provincial capital of Hangzhou in September.

CSO: 4020/353



FOREIGN TRADE AND INVESTMENT

SEMINAR STUDIES INTERNATIONAL PRIVATE LAW

OW221900 Beijing XINHUA in English 1844 GMT 22 Aug 85

[Text] Guiyang, 22 Aug (XINHUA)--A seminar on international private law, the first in China in the past 35 years, was held here last week.

Forty-three specialists, professors and law officials from all over the country attended the seven-day seminar.

The increase in economic and civil disputes involving foreign nationals and organizations following China's opening to the rest of the world has prompted the study of international private law, which has to do with disputes between individuals, one participant said.

The 43 papers delivered at the seminar included those on the latest developments in this field both at home and abroad; specially permitted agreements in connection with the new world economic order, laws which apply to economic contracts, marriage between Chinese and foreign nationals, property inheritance involving foreigners, international civil procedures and international commercial arbitration.

Chinese lawyers have done much work over the past few years to introduce to China the basics of private law as practised in foreign countries. A collection of treatises on international private law translated by the Shanghai law school will soon come off the press. Other works on the subject are from Hungary, Poland, the German Democratic Republic, Czechoslovakia, Yugoslavia, Austria, Switzerland and some other countries.

"The Basics of International Private Law," China's first monograph on the subject, edited by Professor Han Depei of Wuhan University, was published in 1983. In 1984 a section on "China's Private Law" was included in the "China Encyclopedia".

Participants at the seminar also discussed the relationship between studies on international private law and the country's open policy.

CSO: 4020/353

## FOREIGN TRADE AND INVESTMENT

### HEILONGJIANG PROVINCE'S FOREIGN TRADE INCREASES

OW050836 Beijing XINHUA in English 0736 GMT 5 Sep 85

[Text] Harbin, 5 Sep (XINHUA)--The volume of exports from Heilongjiang Province in northeast China came to 230 million U.S. dollars in the first seven months of this year, a 12.8 percent increase over the same period of last year.

Meanwhile, the volume of imports delivered hit 50 million U.S. dollars in the first half of this year, an increase of about 65 percent over the figure for last year.

An official of the provincial department of foreign economic relations and trade attributed these achievements to the following:

--A survey of the international market, and the production or improvement of 50 kinds of export goods. The province has imported more than 370 million U.S. dollar-worth of technology and equipment for this purpose.

--Faster growth of local economy. The total output value of industry came to 20 billion yuan in the first seven months, 12.5 percent higher than in the same period of last year.

Meanwhile, the output value of oil, coal and electricity increased from three to eight percent over the same period of last year.

The province has established trade relations with 104 foreign countries. It is now preparing to exhibit local products at the autumn fair which is to open in Guangzhou next month.

CSO: 4020/348

FOREIGN TRADE AND INVESTMENT

INTERNATIONAL COOPERATION BOOSTS SHANXI ECONOMY

OW101648 Beijing XINHUA in English 1549 GMT 10 Sep 85

[Text] Taiyuan, 10 Sep (XINHUA)--Shanxi, China's leading coal producer, has built 28 major projects since April of last year through cooperation with foreign firms.

It concluded cooperation contracts on 82 projects and the 28 already in operation are estimated to increase the province's output value by 154 million yuan with 55 million yuan in profit and taxes.

Profits of some exceeded the investment in the first year of operation, according to provincial authorities.

The province signed agreements on another 66 projects with foreign firms at a recent international economic fair. The projects involve 35 million U.S. dollars in foreign investment.

This was the second fair ever held by the province in Taiyuan, its capital. The first was held in April, 1984.

Shanxi, China's biggest coal and chemical industrial center, has nearly 10,000 enterprises. About 80 percent of the 2,000 state enterprises need to be retooled or to undergo technical renovation.

Overhauling has provided a "very broad market" for overseas firms and investors, according to provincial authorities.

Future imports will also focus on retooling of coal mining, metallurgical, machinebuilding, building materials, chemicals, electronics, textile and pharmaceutical industries, processing of farm produce and developing mineral resources.

China has tightened control of foreign exchange this year, but projects involving advanced technology or fast returns will not be affected.

CSO: 4020/348

## FOREIGN TRADE AND INVESTMENT

### FOREIGN FIRMS INTERESTED IN LIAONING INDUSTRIAL ZONE

OW061628 Beijing XINHUA in English 1529 GMT 6 Aug 85

[Text] Shenyang, 6 Aug (XINHUA)--Work has begun on a six-billion-yuan technical-upgrading program at a major industrial zone in this Liaoning provincial capital, a local official said here today.

The Tiexi zone, covering 15 square kilometers, has been developed over the past 60 years, and now has 452 enterprises and factories involved in machine building, metallurgy, chemicals, pharmaceuticals, building materials, food-stuffs and textiles.

The zone's industrial output value accounts for half of Shenyang's total, while taxes and profits returned to the state amounted to 65.3 percent of the total last year.

The zone produces half of China's electrical transmitters and transformers, and 70 percent of the country's explosion-proof electrical equipment and appliances.

Complete ranges of 500,000-volt electricity transmitting and transforming equipment are manufactured in Tiexi.

The zone has an annual production capacity of 10,000 metal-cutting machine tools--the second biggest producer in China.

Under the upgrading program, Shenyang authorities will spend six billion yuan on introducing new technology between now and 1990.

Hong Jiansheng, transformation program office director, said work would include overhauling existing enterprises and building new public facilities.

By 1990, the zone's industrial output value is expected to soar by 7.2 billion yuan, he said.

A 50-kilometer natural gas pipeline has already been laid with a daily capacity of 500,000 cubic meters. The pipeline links the Shenyang chemical factory with Ciyutuo, Liaozhong County, which produces natural gas.

Under the transformation program, more than 500 industrial products will be upgraded to meet the standards of the 1980s, and more than 700 new industrial products will be developed before 1990.

The transformation of the Tiexi industrial zone has attracted foreign firms' attention. So far, firms from Japan, the United States and Federal Germany have expressed interest in participating in the program, and some cooperative schemes are being discussed.

In addition, authorities plan to establish a new five-square-kilometer industrial area at Tiexi to develop robots, digital-controlled systems, bio-engineering, optical fibers, lasers, vacuum technology and new materials.

CSO: 4020/348

FOREIGN TRADE AND INVESTMENT

BRIEFS

U.S. TEXTILE MILL IN XINJIANG--Transworld Textile Company of the United States yesterday announced in Beijing that it has entered into a joint venture contract to construct a modern 50,000 spindle spinning and weaving mill in Urumqi, capital of Xinjiang Uygur Autonomous Region. The mill will annually produce 5.2 million metres of fine-count woven cloth and 269 tons of fine-count yarn from long staple cotton grown in Xinjiang. Products will be exported. The joint venture company is named Xinjiang Finetex Company Ltd. Total investment in the joint venture is \$40 million. The Chinese partners are the Textile Industrial Corporation of the Xinjiang Uygur Autonomous Region of China and the China National Textiles Import and Export Corp and its Xinjiang branch. Transworld Textile Company holds 40 percent of the investment. Site preparation has already begun. Completion of the 30,000 square metre mill is scheduled for the fall of 1986. Upon the signing of the contract, Richard M. Millman, chairman of Transworld Group, said: "Much credit must be given to the governmental leaders of Xinjiang and China. Without their support the project would never have proceeded as quickly. ["Special to CHINA DAILY"] [Text] [Beijing CHINA DAILY in English 23 Aug 85 p 2 HK]

CSSR TRADE GROUP--Beijing, 22 Aug (XINHUA)--Vice-Premier Li Peng met here today with a delegation from the Skodaexport Foreign Trade Corporation of Czechoslovakia, led by its chairman and general managing director Miloslav Mikes. Mikes was here to attend a signing ceremony of a contract for Skodaexport to sell two generating sets of 500 mw each to China. Present at the ceremony were Li Peng, Qian Zhengying, minister of water resources and electric power, Chen Xian, vice-minister of State Planning Commission and Eduard Blaha, charge d'affaires a.i. of the Czechoslovak Embassy in Beijing. In the evening, the two contracting parties, China National Technical Import Corporation and Skodaexport, gave a dinner for the occasion. [Text] [Beijing XINHUA in English 1835 GMT 22 Aug 85 OW]

ANHUI FOREIGN TRADE SEMINAR--Hefei, 21 Aug (XINHUA)--A foreign economic relations and trade seminar opened today in this capital city of Anhui Province. More than 200 business people from Australia, Belgium, Canada, Japan, the United States, Hong Kong and Macao discussed import and export trade as well as economic and technical cooperation. Exhibited at the seminar are 1,300 Anhui products for export including silks, cotton knits and other textiles, leather products, feathers, hardware, machinery and native produce. The

seminar will also present 128 economic and technical projects for which the province would like to attract investment. Anhui Province in economically developed eastern China has more than 40 kinds of minerals and is one of the country's major production bases for coal, steel, nonferrous metals and building materials. [Text] [Beijing XINHUA in English 1652 GMT 21 Aug 85 OW]

ZHEJIANG TRADE FAIR--Hangzhou, 9 Sep (XINHUA)--The Zhejiang international economic and trade fair opened here today. Over 240 Hong Kong and foreign businessmen attended the opening ceremony. Governor Xu Ju said that the province has set up economic ties with nearly 10,000 overseas firms in 120 countries and regions. It has 41 Sino-foreign joint venture projects, involving 120 million U.S. dollars of investment. The province intends to expand export of traditional goods, including food, silk and satin, medicine, light industrial products, handicrafts, machines and chemical products. Meanwhile, it wants to import technology and facilities for textile, electronic, building materials and chemical industries. The fair will end on September 15. [Text] [Beijing XINHUA in English 1839 GMT 9 Sep 85 OW]

LIAONING'S FOREIGN TRADE CENTER--Jinzhou, 11 Sep (XINHUA)--Jinzhou, a new export goods producer of China's heavy industrial province in Liaoning exported 143 million yuan worth of goods in the first seven months of this year, a 23.6 percent increase over the same 1984 period. At an international economic and technical cooperation symposium in session here, Wang Yaocheng, director of the Jinzhou Foreign Trade Bureau, said the city's eight export goods producing centers produce 160 varieties of goods, covering petrochemicals, minerals, textiles, farm and sideline and aquatic products. The garment center is able to produce more than one million pieces a year and the "Hongmei" brand canned asparagus had won a gold medal from a French delicacy and tourism association not long ago. The products of the city are exported to more than 40 countries and regions, he added. Goods exported by the city were valued at 210 million yuan last year, 3.7 times that of 1978, making it a leading export goods producer in Liaoning Province. Liaoning's export came to nearly five billion U.S. dollars in 1984, ranking first in China. [Text] [Beijing XINHUA in English 0816 GMT 11 Sep 85 OW]

FLOURISHING TAIWAN-PRC TRADE PROJECTED--According to statistics, the 1984 indirect trade figure between Taiwan and the mainland via Hong Kong was \$560 million, a 125-percent increase over the year before last. In the first quarter of this year entrepot trade between the two shores via Hong Kong reached more than \$600 million, an increase of almost 50 percent over the same period last year. According to statistics, this year's entrepot trade figure will surpass \$1 billion. The share rise in this year's trade is beneficial to both sides and to Taiwan in particular. Reports in the Taiwan press say that some depressed industries flourished right after a clear increase in orders from Hong Kong since June. For example, once orders increased, the engine industry that was just going into dire straits on the domestic front found it necessary to have three round-the-clock shifts to meet delivery. One famous engine plant is not turning away additional orders because it is fully booked. The concerned authorities in Taiwan recently profess nonintervention in entrepot trade. This increases understanding and an exchange of information, develops the economy, improves democracy and is of great benefit to both shores. [Text] [Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 8 Jul 85 p 1] 12615

BEIJING TRADE CENTER--Beijing, 1 Sep (XINHUA)--Building work started today on a massive international trade center in Beijing. To mark the start of construction, a ceremony was held at the site at Dabeyao in Eastern Beijing. The center will consist of a 40-story office building and a 190-story hotel, as well as apartments, meeting rooms and an exhibition hall, with a total floor space of 370,000 square meters. It will provide working and living facilities for foreign trade agencies in the capital, according to project officials. The center is a joint venture between the China Economic and Trade Consultants Corporation and the Kerry Industrial Company of Hong Kong. Its major part will be completed by the end of 1987. [Text] [Beijing XINHUA in English 0637 GMT 1 Sep 85 OW]

ZHEJIANG FOREIGN TRADE SEMINAR--Hangzhou, 5 Aug (XINHUA)--A foreign economic and trade seminar will be held in Hangzhou, capital of Zhejiang Province, between September 9 and 15. According to the provincial authorities, the seminar will cover the import of foreign capital, technology and equipment to upgrade enterprises producing export goods. Zhejiang will offer 36 projects for foreign funds and technology. Included are electronics, chemicals, food-processing, textiles, paper-making, building materials and aquatic products. Enterprises will have sole foreign ownership, be joint venture, co-management, compensation trade, leasing, technical transfer and processing and assembling. More than 400 business people from 30 countries and regions have been invited to attend the seven-day seminar. [Text] [Beijing XINHUA in English 0246 GMT 5 Aug 85 OW]

SHENZHEN AREA FOR FOREIGN INVESTORS--Shenzhen, 16 Aug (XINHUA)--The industrial department of the Shenzhen special economic zone has developed a 30 square-hectare new area for overseas investors. It faces the mouth of the Pearl River, and is only two kilometers from the center of the Shekou industrial district. One tenth of the district has been developed since 1979. A Sino-U.S. joint venture glass factory, a Sino-British petroleum company, and other three joint-ventures have signed contracts to build on the land. Some other items are under negotiation. [Text] [Beijing XINHUA in English 0816 GMT 16 Aug 85 OW]

CSO: 4020/348



## SPECIAL ECONOMIC ZONES

### SHENZHEN NEEDS MORE BILINGUAL PROFESSIONALS TO HELP ECONOMY

HK220459 Beijing CHINA DAILY in English 22 Aug 85 p 4

[Text] Shenzhen, the largest of the four special economic zones in South China, needs more professionals with a mastery of foreign languages. This would help develop its export-oriented economy, the zone's newspaper said.

The present employment situation in the city, however, falls several steps behind the SEZ's requirements.

A recent investigation revealed that more than 95 per cent of the managers and directors in the city's business circles cannot discuss business with their foreign counterparts without interpreters. More than 90 per cent of the technicians, including chief engineers in joint ventures also have to communicate with foreign experts through interpreters.

The paper cited two particularly embarrassing cases.

Several people sent to study in Japan failed to learn the necessary information or skills because of the language barrier. Last May, the city's industrial development committee tried to recruit 30 people to work in foreign trade and arrange technology transfers in Europe, the United States, Hong Kong and Macao. Only seven out of 32 applicants passed the language test.

A dearth of professionals with good language ability greatly hinders the city's businesses and development as a whole. Efforts must be intensified to improve the language skill of the city's cadres and other employees, especially those who deal with foreigners.

The paper offered several suggestions.

Start with children by teaching foreign languages in some primary and middle schools.

Organize training courses for adults and give top priority to those working in joint ventures.

Give strict language exams to those sent abroad to study or work.

Give preferential employment opportunities to those with language skills.

Establish a training centre, which takes a comprehensive look at the language training for cadres and other city employees.

Make available more periodicals and publications in foreign languages.  
Newspapers should devote more space and television more air time to language lessons.

CSO: 4020/353

LABOR AND WAGES

GONGREN RIBAO STRESSES WORKER ROLE IN MANAGEMENT

HK300920 Beijing GONGREN RIBAO in Chinese 24 Aug 85 p 1

[Article by Zhang Youyu [1728 2589 3342]: "Workers' Participation in Enterprise Management Should Be Allowed, so That Socialist Enterprises Can Be Run Well"]

[Text] Ours is a socialist state, a state with the masses acting as masters of the house. In our factories and enterprises, the masses of workers are the masters. Therefore, to run our socialist enterprises well, we must rely upon the masses of workers and let them participate in enterprise management. Whether the masses of workers in factories or enterprises should be allowed to participate in management--this is an important mark of a socialist enterprise.

Our "Constitution" clearly says: "The People's Republic of China is a people's democratic dictatorship socialist state led by the working class and based on a worker-peasant alliance." (Article 1, the "Constitution") The working class, which is a leading class placed in the position of master of the state, should directly or indirectly care for or participate in all the affairs and activities of the state. This is a right that it should enjoy, as well as an obligation that it should fulfill. Our "Constitution" also says: "According to the provisions of the law, the people take care of state affairs, economic and cultural undertakings, and social affairs through various channels and in various ways." (Article 2, Section 3, the "Constitution") This is to say that the people enjoy not only democratic rights in the political field, but also democratic rights in economic management. "People" here means, of course, the working class and the workers in an enterprise. Comrade Mao Zedong clearly said long ago: "The right of workers to run the state, take charge of various enterprises, and manage cultural and educational undertakings is the greatest and most fundamental right of workers under the socialist system." ("Written Comments on the Anshan Constitution") In his "Government Work Report" at the Second Session of the Sixth National People's Congress, Comrade Zhao Ziyang put things in more concrete terms, when he said: "We must adopt a string of effective measures to realistically safeguard worker participation in the democratic management of enterprises and perfect the workers' congress system, so that it can play its role in examining and approving important enterprise decisions, in safeguarding workers' rights, and in other respects.

We must give full expression to the role of the worker masses as masters of the house. This is an important characteristic of our socialist enterprises that must not be overlooked." Worker participation in making an enterprise's important decisions and in its democratic management is not just a problem bearing on the workers' democratic rights and personal interests. It relates to the interests of all the people and the destiny of the state. As far as an enterprise is concerned, enlargement of enterprise decisionmaking means enlarging the decisionmaking powers of the enterprise as a whole, including workers, and not just enlarging the decisionmaking power of factory directors (managers) as individuals. Introduction of the factory director responsibility system does not exclude worker participation in working out an enterprise's important decisions and in its democratic management. The authority of our leaders of enterprises is unified with the position of workers as masters of the house, and with the initiative and creativity of the workers. To increase enterprise decisionmaking power is to enable an enterprise to have more vitality to actively develop production. Enterprise vitality is derived from the enthusiasm, wisdom, and creativity of the workers. Only when the working class' position as master of the house under various enterprise systems is safeguarded and when its labor is closely tied up with personal interests, can full play be given to the enthusiasm, wisdom, and creativity of the workers.

Reform of the distribution system is an important aspect of urban economic reform. Distribution is not only closely related to production, but also directly linked to the personal interests of workers. Failure to solve the problem of distribution well has a direct impact on efforts to arouse enthusiasm among workers. Therefore, distribution is not only the business of the enterprise leadership, but also of the masses of workers. Worker representatives must play their part in the field of distribution.

The bourgeois class in some capitalist countries understands the point about "worker participation in management." For example, the "enterprise committee" elected by workers in the Federal Republic of Germany has "the right to participate in deciding" on such problems as employment and dismissal, wages, man-hours, and so forth, plus the right to make suggestions and hold consultations on investment, personnel, the organization of labor, and other matters. "Enterprise committees" are also universally established in factories in France, as stipulated by the law. Their members are nominated by trade unions which are represented by various groups and elected by workers. The "enterprise committees" offer advice and information about enterprise management. Individual monopoly enterprises in the United States also agree to let responsible persons of trade unions attend meetings of boards of directors as observers, or even to act as directors. Other forms of direct participation in production control by teams and groups or workshop workers may be found in the "quality control groups" of enterprises in Japan and the "small group self-management system" of enterprises in Sweden. However, worker participation in management in capitalist countries is limited and deceptive in nature. It is fundamentally different from what it is like in our country. But capitalist countries do have to practice worker participation in management. It has almost become a world trend. This should arouse our attention.

In sum, politically or economically, we must enlarge enterprise decision-making power. While practicing the factory director (manager) responsibility system, we must enable workers to participate in working out an enterprise's important decisions and in its democratic management.

CSO: 4006/948

## TRANSPORTATION

### LANZHOU INSTITUTE STUDIES PERMAFROST PROBLEMS

OW271252 Beijing XINHUA in English 1230 GMT 27 Aug 85

[Text] Lanzhou, 27 Aug (Xinhua)--resurfacing of the Qinghai-Tibet highway--the highest in the world--is acclaimed as a major victory in the fight against frozen earth, with which nearly 20 percent of China's land is overlaid.

Polypropylene, instead of asphalt, was used to surface parts of a 560 kilometer-section of the highway built on earth perennially frozen to a depth of up to 120 meters. The purpose was to protect the frozen soil beneath.

Never in the past had polypropylene been used over areas so large in size, according to scientists at the Lanzhou Institute of Glaciology and Geocryology under the Chinese Academy of Sciences.

The 11-year, 770 million yuan project to renovate the section was officially accepted by a state committee yesterday.

When resurfacing of the highway began in 1974, parts of the section was pressed and directly asphalted in line with the practice in other provinces and regions.

But long hours of sunshine caused the black surface to absorb heat and thawed the frozen soil, resulting in roadbed deformation and damage to bridges, culverts and roadside buildings, scientists at the Lanzhou Institute said.

At the suggestion of the institute, the roadbed was raised at least one meter with a foundation of stone, lime and soil, and then surfaced with polypropylene in areas with large amounts of underground water. Meanwhile, ditches were dug along the road to drain off excess water.

The 1,937 kilometer-highway from the Qinghai Provincial Capital of Xining and Lhasa, capital of Tibet, handles 80 percent of the goods from inland provinces to the "roof of the world."

Permafrost is permanently frozen subsoil which causes roads, bridges and houses to cave-in when it expands. China has 2.5 million square kilometers of permafrost zones over its land of 9.6 million square kilometers.

The Qinghai-Tibet Plateau has 1.47 million square kilometers of perennially frozen areas, over 66 percent of the area. A test center was built in the 1970's at a place some 4,700 meters above sea level in the Kunlun Mountains.

The center, according to Lanzhou scientists, has carried out a series of tests on how temperature and other factors might affect roadbeds and culverts. The research results have helped build coal, copper and asbestos mines and lay oil pipes on the plateau as well. These are also useful to railway and housing building, said Lanzhou scientists.

Abundant drinking water was found beneath the frozen layer. This, said Lanzhou scientists, is of immense significance to China's arid west and northwest.

Studies of frozen earth in China earth date back to the early 1950's, when scientists solved the technical problems in building railways in frozen earth areas in Northeast China.

The experience was applied in the development of Daqing, China's biggest oilfield, in the 1960s.

Other achievements of the institute include investigating the damage caused by frozen earth in the greater Hinggan Mountains in Northeast China, and study of the permafrost zones in the Tianshan Mountains in the Xinjiang Uygur Autonomous Region, through which the 476.5-kilometer-long Southern Xinjiang Railway passes.

Scientists have also helped build water conservancy projects in permafrost zones.

China now has over 30 units specializing in studies of frozen earth.

The Lanzhou Institute has a research staff of 240, including 14 senior researchers with ranks equivalent to that of professor or associate professor.

CSO: 4020/356

## TRANSPORTATION

### BRIEFS

PRC TO BUILD 60,000 KM OF NEW HIGHWAYS--China will build 60,000 kilometers of new highways and improve 80,000 kilometers of existing roads in addition to erecting 400 new bridges, in the next five years, the CHINA TRANSPORT Journal reports. Quoting Vice-Minister Wang Zhanyi of the Ministry of communication the paper said most of the highways will be built or rebuilt in coastal, frontier or national minorities-inhabited areas to facilitate the transport of goods to and from the coast. By 1990, the end of the Seventh Five-Year Plan period, China's total highway mileage will have reached 1 million kilometers, with an annual total freight weight of 6.5 to 7 billion tons and an annual long-distance passenger transport volume of 7 billion people, Wang said. The mileage of first class highways and expressways will increase by 1,600 kilometers to 2,000 kilometers; second class highways will hit 30,000 kilometers, compared to the present 20,000 kilometers, and third class highways will increase by 70,000 kilometers to 200,000 kilometers. The construction or reconstruction of roads and bridges, Wang said, will ease congestion along trunk roads and help solve transport and travel difficulties in frontier and mountainous areas. From 1979 to 1984, China built more than 50,900 kilometers of highway, of which 36,700 kilometers have been asphalted. About 1,300 highway bridges were also built, Wang said. But cargo and passenger freight and the number of motor vehicles also increased enormously, Wang said. The number of motor vehicles jumped 80 percent, while the volume of goods and passengers doubled, he said. Many highways are overloaded far beyond their designed capacity, causing traffic jams at major intersections. [Text] [Beijing CHINA DAILY in English 6 Sep 85 p 3 HK]

INDUSTRIAL SHIPMENTS TO XIZANG INCREASE--Xining, 7 Sep (Xinhua)--Rolled steel, cement and farm and animal husbandry machinery now account for the most part of the goods transported to Tibet through the Qinghai-Tibet highway. In contrast, according to a transport official in Golmud, Qinghai Province, food and daily necessities made up for the bulk of the cargo for Tibet in the past. The change indicated a new upturn in Tibet's economic development, said Xu Zhongzi, general dispatcher of Tibet's general transport station in Gulmud. The highway, the highest in the world, carries 80 percent of the goods designated for Tibet, the only area of a provincial status beyond the reach of a railway. The total cargo transported along the highway to Tibet is expected to top 500,000 tons this year, up from 480,000 tons in 1983. The figures do not include goods transported directly to Tibet by businesses in other parts of China, Xu said. The Qinghai-Tibet highway runs from Xining, capital of Qinghai Province, to Lhasa, capital of Tibet autonomous region, via



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Golmud. Of the goods shipped to Tibet by the station in the first seven months this year, 63 percent were building materials, machinery and industrial materials. [Text] [Beijing XINHUA in English 1155 GMT 7 Sep 85 OW]

PRC-MADE PLANES USED TO CARRY GOODS TO XIZANG--Beijing, 25 Aug (Xinhua)--Chinese-made "Yun-8" transport planes have joined the air transport team to carry goods to Tibet, according to the ministry of aviation industry today. The planes have been put into service after a number of test flights along the Sichuan-Tibet air route through complicated weather conditions, the ministry officials said. They take off from the Taipingsi Airport in Chengdu and fly 1,300 kilometers non-stop to the Konggar Airport in Lhasa on the roof of the world. The average elevation is 4,000 to 5,000 meters and the highest peak they fly over is 7,756 meters above sea level. The planes were produced by the Shaanxi transport plane manufacturing plant and are owned by the ministry of aviation industry and the Chinese People's Liberation Army Air Force. Tibet is celebrating the 20th anniversary of the establishment of the autonomous region and more goods are being sent there from other parts of the country. [Text] [Beijing XINHUA in English 0659 CMT 25 Aug 85 OW]

HIGHWAY LINKING THREE PROVINCES TO BE BUILT--Nanchang, 26 Aug (Xinhua)--Construction will begin next year on a highway to link the southern parts of Hunan, Jiangxi and Fujian provinces, Zhang Tianyou, Deputy Chief Engineer of the Jiangxi Provincial Bureau of Highways told XINHUA today. The 1,100-kilometer highway will be built jointly by the state and the localities with an investment of about 600 million yuan. It will be used by about 5,000 autos and trucks a day upon completion in 1990. Zhang said a 421-kilometer section of the highway will run through eight hilly counties in Jiangxi. The highway will help boost the economy of the area by improving transport of such minerals as tungsten, bismuth, molybdenum, coal and rare earths as well as timber and bamboo. This part of Jiangxi was once a revolutionary base area before the People's Republic of China was founded in 1949. Jiangxi has 31,000 kilometers of highways at present, ten times more than in 1949. But the roads still cannot meet the needs of the rapid economic development, Zhang said. [Text] [Beijing XINHUA in English 0802 GMT 26 Aug 85 OW]

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ABSTRACT: In economics, modern systems analysis is valued for its methodology and practicality. International trade engineering is the merged application of these two levels of systems analysis in foreign trade. The object of study in international trade engineering is the foreign trade system; by understanding its features, a grasp of the operational rules of foreign trade system can be acquired. Properly speaking, foreign trade is a subsystem in the larger system of the national economy. The basic function of the foreign trade system can be viewed in two aspects: conversion of use value as well as transfer and increment of actual worth. In other words, international division of labor can exploit its strengths, thereby economizing on social labor. The sub-subsystems (of national economy) in foreign trade are then enumerated: the dynamic, the management, the coordination, information, and the economic-results sub-subsystems, whose optimization is required for the maximum economic results. This is the purpose of international trade engineering.

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